

5-2008

THE POWER OF INITIATION: GUBERNATORIAL PROPOSALS IN ECONOMIC DEVELOPMENT POLICY

Charles Taylor

Clemson University, chiptaylor@gmail.com

Follow this and additional works at: https://tigerprints.clemson.edu/all_dissertations



Part of the [Political Science Commons](#)

Recommended Citation

Taylor, Charles, "THE POWER OF INITIATION: GUBERNATORIAL PROPOSALS IN ECONOMIC DEVELOPMENT POLICY" (2008). *All Dissertations*. 193.

https://tigerprints.clemson.edu/all_dissertations/193

This Dissertation is brought to you for free and open access by the Dissertations at TigerPrints. It has been accepted for inclusion in All Dissertations by an authorized administrator of TigerPrints. For more information, please contact kokeefe@clemson.edu.

THE POWER OF INITIATION: GUBERNATORIAL PROPOSALS IN ECONOMIC
DEVELOPMENT POLICY

A Dissertation
Presented to
the Graduate School of
Clemson University

In Partial Fulfillment
of the Requirements for the Degree
Doctor of Philosophy
Policy Studies

by
Charles David Taylor
May 2008

Accepted by:
Dr. Adam Warber, Committee Chair
Dr. David Barkley
Dr. Bruce Ransom
Dr. Robert Tollison

ABSTRACT

A governor's role as chief legislator is based on his ability to recommend legislation and then use his powers to have his proposals enacted and implemented as public policies. Many gubernatorial scholars contend that this legislative role allows governors to exert greater influence than other political actors on state public policies (Bernick and Wiggins 1991; Herzik 1991; Sanford 1967). Other scholars argue that the ability of governors to exercise policy leadership may be overstated, because factors outside of a governor's direct control may constrain his policy choices (DiLeo 1997; Gross 1991). In this study, I assess the influence of these constraints by analyzing the economic development policies that governors of all fifty states proposed in their major legislative addresses from 1997 through 2006. My central research question is: Why is there variation in the types of legislative proposals that are developed by governors?

I find that governors are rational actors who behave strategically when recommending economic development policies to state legislatures. For example, governors are more likely to include economic development policies on their legislative agendas when their states lag the rest of the nation in economic performance. Similarly, my results show that governors recommend more entrepreneurial policies to stimulate business creation when their states are deficient in resources for business creation or are experiencing lagging business formation rates.

Governors also respond strategically to constraints that are imposed on them by the political environment. For example, I find that Republican governors have a stronger preference for traditional economic development policies than Democratic governors.

During periods of divided government, however, Republican governors tend to recommend fewer of these policies, which indicates that governors recognize that they need legislative cooperation to enact their policies.

In short, I find that the relationship between the executive and legislative branches of government at the state level is similar to the relationship between the two branches at the federal level. Policymaking relies primarily on the joint exercise of their shared powers, rather than their independent powers (Fisher 1998). At the state level, as at the federal level, we do not have a government of separated powers. Instead, we have what Neustadt (1990) refers to as a “government of separated institutions sharing powers” (p. 29). My findings do not support claims by some gubernatorial scholars and former governors that governors are necessarily the most influential political actors in a state (Bernick and Wiggins 1991; Herzik 1991; Sanford 1967). My findings are more supportive of Rosenthal’s (1990) contention that in most states the executive and legislative branches are roughly coequal and make policy through a process that relies heavily on bargaining and negotiation.

DEDICATION

This dissertation is dedicated to my father, Charles B. Taylor, Clemson A&M College, Class of 1957. He loved this institution and I think he would be happy that I received a degree here, too.

ACKNOWLEDGEMENTS

I would like to recognize several people for the assistance they provided me while I was completing my dissertation. I thank Adam Warber not only for serving as my dissertation chair, but also for the guidance he provided during other phases of my graduate career. I also thank Bruce Ransom, Robert Tollison, and David Barkley for serving on my dissertation committee and providing their feedback on my project.

The Policy Studies Program at Clemson University is fortunate to be affiliated with the Strom Thurmond Institute of Government and Public Affairs. I would like to thank Robert Becker, the Director of the Institute, for the opportunity to work at the Institute and obtain practical experience in policy analysis.

I would also like to acknowledge Rob Carey, my friend and colleague in the Policy Studies Program and at the Institute. There were countless afternoon coffee breaks when we talked about our research or just made small talk. In either case, those breaks often helped me to get a fresh perspective on whatever I was working on.

Finally, I would like to thank my wonderful wife, Carolyn. She has been by my side throughout this process and has been truly supportive in every sense of the word. This undertaking would have been much more difficult without her in my life.

TABLE OF CONTENTS

	Page
TITLE PAGE	i
ABSTRACT	ii
DEDICATION	iv
ACKNOWLEDGEMENTS	v
LIST OF TABLES	viii
LIST OF FIGURES	ix
 CHAPTER	
I. INTRODUCTION	1
Literature Review	6
Concluding Remarks	42
II. A THEORETICAL FRAMEWORK FOR STUDYING ECONOMIC DEVELOPMENT	44
Formulating the Governor’s Legislative Agenda	44
Hypotheses	56
III. CONTENT ANALYZING GUBERNATORIAL ADDRESSES	77
Data Collection	78
Identifying and Classifying Gubernatorial Economic Development Proposals	81
Data Summary	92
Summary	99
IV. A MODEL OF GUBERNATORIAL ECONOMIC DEVELOPMENT POLICYMAKING	100
Dependent Variables	100
Independent Variables	102
Analyzing Economic Development Policymaking	116

Table of Contents (Continued)

	Page
Conclusions	165
V. GUBERNATORIAL POWERS AND ECONOMIC DEVELOPMENT POLICYMAKING	168
Dependent and Independent Variables	168
Analyzing the Influence of Institutional Powers	181
Analyzing the Influence of an Electoral Mandate	188
Analyzing the Influence of Public Approval	192
Conclusions.....	195
VI. CONCLUSION.....	198
Research Findings	200
Future Research on Governors and Economic Development Policy.....	209
APPENDIX.....	219
REFERENCES	234

LIST OF TABLES

Table	Page
3.1 Number and Percentage of Gubernatorial Economic Development Proposals by Category and Subcategory, 1997-2006	93
4.1 Number and Percentage of Gubernatorial Addresses Mentioning State Economic Indicators by Category, 1997-2006	103
4.2 Number and Percentage of Addresses by Gubernatorial Party Affiliation and Legislative Partisan Control, 1997-2006.....	110
A.1 Summary Statistics.....	219
A.2 Logistic Regression Results Predicting the Inclusion of Economic Development Proposals in Gubernatorial Legislative Addresses, 1997-2006	221
A.3 Negative Binomial Regression Results Predicting the Number of Gubernatorial Economic Development Proposals per Legislative Address, 1997-2006	223
A.4 Negative Binomial Regression Results Predicting the Influence of Institutional Powers on the Number of Gubernatorial Economic Development Proposals per Legislative Address, 1997-2006	225
A.5 Negative Binomial Regression Results Predicting the Influence of An Electoral Mandate on the Number of Gubernatorial Economic Development Proposals per Legislative Address, 1997-2006	228
A.6 Negative Binomial Regression Results Predicting the Influence of Public Approval on the Number of Gubernatorial Economic Development Proposals per Legislative Address, 1997-2006	231

LIST OF FIGURES

Figure	Page
3.1 Frequency Distribution of Economic Development Proposals, 1997-2006	94
3.2 Frequency Distribution of Traditional Economic Development Proposals, 1997-2006.....	95
3.3 Frequency Distribution of Entrepreneurial Economic Development Proposals, 1997-2006.....	96
3.4 Mean number of Economic Development Proposals per Legislative Address by Category and Year, 1997-2006	97
4.1 Graphical Summary of Economic Performance Variables, 1996-2005	120
4.2 Predicted Probability that a Governor Will Include Traditional Policies in His Legislative Address, Conditional on Economic Conditions, 1997-2006	123
4.3 Predicted Probability that a Governor Will Include Entrepreneurial Policies in His Legislative Address, Conditional on Economic Conditions, 1997-2006	124
4.4 Predicted Number of Traditional Policies Included in a Governor's Legislative Address, Conditional on Economic Conditions, 1997-2006	126
4.5 Predicted Number of Entrepreneurial Policies Included in a Governor's Legislative Address, Conditional on Economic Conditions, 1997-2006	128
4.6 Predicted Probability that a Governor Will Include Traditional or Entrepreneurial Policies in His Legislative Address, Conditional on Party Affiliation, 1997-2006	133
4.7 Predicted Number of Economic Development Policies Included in a Governor's Legislative Address, Conditional on Party Affiliation, 1997-2006	135

List of Figures (Continued)

Figure		Page
4.8	Predicted Number of Economic Development Policies Included in a Governor's Legislative Address, Conditional on Projected Budget Growth, 1997-2006	138
4.9	Predicted Number of Economic Development Policies Included in a Governor's Legislative Address, Conditional on Mean Citizen Liberalism, 1997-2006	141
4.10	Predicted Number of Economic Development Policies Included in a Governor's Legislative Address, Conditional on State Political Culture, 1997-2006	144
4.11	Predicted Number of Preferred Economic Development Policies Included in a Governor's Legislative Address, Conditional on Partisan Control of the Legislature, 1997-2006	147
4.12	Predicted Number of Non-Preferred Economic Development Policies Included in a Governor's Legislative Address, Conditional on Partisan Control of the Legislature, 1997-2006	149
4.13	Graphical Summary of Business Climate Variables, 1996-2005	151
4.14	Predicted Number of Traditional Policies Included in a Governor's Legislative Address, Conditional on Business Climate, 1997-2006	153
4.15	Graphical Summary of Entrepreneurial Resource Variables, 1996-2005	155
4.16	Predicted Number of Entrepreneurial Policies Included in a Governor's Legislative Address, Conditional on Entrepreneurial Resources, 1997-2006	157
4.17	Graphical Summary of Neighboring States' Business Climate Variables, 1996-2005	159
4.18	Predicted Number of Traditional Policies Included in a Governor's Legislative Address, Conditional on Business Climate of Neighboring States, 1997-2006	161

List of Figures (Continued)

Figure	Page
4.19 Graphical Summary of Neighboring States' Entrepreneurial Resource Variables, 1996-2005	163
4.20 Predicted Number of Entrepreneurial Policies Included in a Governor's Legislative Address, Conditional on Entrepreneurial Resources of Neighboring States, 1997-2006	165
5.1 Predicted Number of Preferred Economic Development Policies Included in a Governor's Legislative Address When the Votes of Six Opposition Members Are Required, Conditional on Strength of Gubernatorial Institutional Powers, 1997-2006	183
5.2 Predicted Number of Preferred Economic Development Policies Included in a Governor's Legislative Address When the Votes of Twenty-Six Opposition Members Are Required, Conditional on Strength of Gubernatorial Institutional Powers, 1997-2006	185
5.3 Predicted Number of Preferred Economic Development Policies Included in a Recently Elected Governor's Legislative Address, Conditional on Possessing an Electoral Mandate, 1997-2006	190
5.4 Predicted Number of Preferred Economic Development Policies Included in a Governor's Legislative Address, Conditional on Public Approval, 1997-2006	194

CHAPTER I

INTRODUCTION

In the American political system, state governments have separate legislative and executive institutions. The state legislature is responsible for making laws and the governor is responsible for executing them. The powers of these two institutions are not strictly separated because a system of checks and balances requires each branch to share its authority with the other (Rosenthal 1990, p. 2-3). As a result, governors possess legislative as well as executive authority. They exercise their legislative authority not only by using their veto power, but also by proposing legislation and then using their influence to have it enacted into law (Beyle 2004, p. 221-22; Rosenthal 1990, p. 5-7).

Because the governor has a statewide constituency and is the most visible state official, the media and public pay close attention to his legislative proposals. This combination of high visibility with a statewide constituency also creates an expectation that the governor will serve as “chief legislator” and take a lead role in shaping the state’s legislative agenda (Bernick and Wiggins 1991, p. 75; Herzik 1991, p. 29; Rosenthal 1990, p. 5; Sanford 1967, p. 184-85). Because his legislative role is so prominent, the success of a governor’s administration often depends on the success of his legislative program. Media and public evaluations of a governor’s accomplishments are largely based on his success in getting legislation enacted (Beyle 2004, p. 221; Rosenthal 1990, p. 40-41). A governor’s legislative efforts actually begin, however, with the selection of policy issues and the development of proposals to address them.

My central research question is: Why is there variation in the types of legislative proposals that are developed by governors? In this study, I examine governors' legislative proposals in all fifty states regarding economic development policy. I focus my inquiry at the state level because the fifty states exhibit different combinations of political, institutional, and economic conditions. This diversity allows me to investigate whether any of these factors influence gubernatorial policy preferences. I focus my study on governors' economic development proposals because economic development is a policy domain in which states and their governors have a long history of activity (Brace 2002, p. 164; Eisinger 1988, p. 32, 258, 292, and 304-5; Grady 1991, p. 106). This long history allows me to examine gubernatorial policy proposals over a period of many years.

Key studies of executive-legislative relations have focused primarily on those factors that contribute to presidential success within the United States Congress or gubernatorial success within state legislatures (Bond and Fleisher 1990; Edwards 1989; Ferguson 2003; Morehouse 1973, 1996, and 1998). These studies measure success and influence by comparing a president's or a governor's publicly expressed positions on policy issues to eventual legislative outcomes (Bond and Fleisher 1990, p. 66-71; Edwards 1989, 16-25; Ferguson 2003, p. 166-67; Morehouse 1973, p. 59-60; 1996, p. 365-66; 1998, p. 215-16). These studies, however, pay only scant attention to how chief executives develop their policy positions. Bond and Fleisher (1990) assume that presidents rarely modify their positions in anticipation of legislative reaction to their proposals (p. 41). Edwards (1989) acknowledges that presidents may modify their positions in order to increase their chances of legislative success, but assumes that there

are no systematic differences between presidents in this regard (p. 21). Morehouse (1996 and 1998) suggests that governors will modify their proposals during periods of divided government, because they find it necessary to compromise with the opposition party in order to get their legislative proposals enacted (Morehouse 1996, p. 362; 1998, p. 218-19). She infers from her findings that governors make these compromises, but does not examine how governors modify the content of their legislative proposals to achieve success (Morehouse 1996, p. 379; 1998, p. 220). Unfortunately, these studies examine only a single important dimension of influence: the ability of the chief executive to obtain support for his proposals in the legislature. I examine an equally important dimension of influence by assessing the process by which a governor chooses the issues and policies that he promotes within the legislative arena

Both gubernatorial scholars and former governors claim that one of a governor's primary roles is to solve a state's important problems by developing proposals to address them and then using his gubernatorial powers to have them enacted and implemented (Beyle 2004, p. 219-20; Ransone 1982, p. 120; Sanford 1967, p. 184-85). According to this view, governors have greater influence over state public policies than other political actors (Bernick and Wiggins 1991, p. 73-74; Herzik 1991, p. 25-26; Sanford 1967, p. 184). Beyle (1988) suggests that a governor's influence may extend beyond the borders of his own state, because gubernatorial proposals are often a source of innovation that influences politics and public policy nationwide (p. 134).

Other scholars argue that the extent of gubernatorial policy leadership and innovation is overstated. They contend that factors outside of a governor's direct control,

such as public opinion, partisan balance in the legislature, and state and national economic conditions influence the types of policies that a governor proposes to the legislature. According to this view, a governor may fail not only because the legislature does not enact his proposals, but also because factors outside of his control constrain or deter him from proposing the policies that he prefers (DiLeo 1997, p. 106-7; Gross 1991, p. 15). The effect of these constraints on gubernatorial agenda decisions has been the focus of relatively little empirical analysis (Coffey 2006, p. 1).

Governors have wide latitude in choosing the policies that they recommend as part of their legislative program. These choices provide them with opportunities to influence their chances of success in the legislature and to pursue their other political goals, such as reelection or building an historical legacy. This study will examine the extent to which governors exercise the ability to make these choices and the factors that influence the choices they make when formulating their legislative programs.

This study will also examine the role played by governors in formulating their states' economic development strategies. State economic development efforts have traditionally focused on stimulating economic growth by attracting large-scale manufacturing plants that employ many workers (Eisinger 1988, p. 129; Fosler 1992, p. 3; Gray and Lowery 1990, p. 4; Isserman 1994, p. 66-72; Leicht and Jenkins 1994, p. 256; Peretz 1986, p. 624; Tietz 1994, p. 101). States using this approach attract business investment by providing tax and financial incentives that reduce the cost of operating a business within the state. Other aspects of this traditional approach include maintaining generally low business tax rates, relatively lax environmental regulations, and business-

friendly labor regulations (Brace 2002, p. 164; Eisinger 1988, p. 130; Fosler 1992, p. 4; Isserman 1994, p. 69; Leicht and Jenkins 1994, p. 257; Saiz 2001a, p. 204; Spindler and Forrester 1993, p. 30).

In the 1980s, scholars began to notice the emergence of a new variety of state economic development policies. Eisinger (1988) refers to these newer policies as entrepreneurial because they require a more active role for state and local governments in stimulating economic growth (p. 7). Entrepreneurial policies are intended to stimulate the creation and expansion of local firms, rather than merely attracting businesses from other locations. These policies include using state venture capital funds to aid new small businesses, helping local businesses promote their products in foreign markets, and supporting the research and development of technology that can be commercialized by local firms (Brace 2002, p. 164-65; Bradshaw and Blakely 1999, p. 229-30; Eisinger 1988, p. 240, 1990, p. 513; Gray and Lowery 1990, p. 4; Isserman 1994, p. 73-78; Lowery and Gray 1992, p. 484-85; Tietz 1994, p. 102-3).

However, the emergence of entrepreneurial policies in the 1980s did not signal the abandonment of traditional economic development policies by states. States vary in the extent to which they have shifted from traditional to entrepreneurial policies. Furthermore, some scholars have noted a resurgence of traditional economic development policies during the 1990s (Brace 2002, p. 168; Eisinger 1995, p. 147; Tietz 1994, p. 104). States can choose from a variety of economic development policies within the two broad types. Consequently, economic development strategies vary across states and over time (Elkins, Bingham, and Bowen 1996, p. 161; Grady 1987, p. 91-92; Grant,

Wallace, and Pitney 1995, p. 142-143; Gray and Lowery 1990, p. 7; Hanson and Berkman 1991, p. 218-22; Leicht and Jenkins 1994, p 257, 264-66; Lowery and Gray 1992, p. 485; Saiz 2001a, p. 204-5, 2001b, p. 50; Saiz and Clarke 2004, p. 423-24).

During any given period many states will modify their economic development strategy by enacting new policies. My research examines the role of governors in these policy changes.

Literature Review

The review of scholarly literature that is relevant to this study is divided into three sections. The first section reviews literature concerning the governor's role as chief legislator, the resources available to him for promoting his legislative program, and constraints on his legislative authority. The second section reviews the findings of empirical studies of gubernatorial-legislative relations. The final section assesses the literature regarding the governors' role in economic development policymaking.

The Governor as Chief Legislator

Many scholars view the governor as one of the most important political actors in state policy making. A governor is important, in part, because he has a statewide constituency and is the most visible state official. This combination of high visibility with a statewide constituency creates an expectation that he will take a lead role in solving the state's problems. A governor's importance as a policy maker is also a result of the multiple roles he serves in state government and politics. He is not only the chief executive of state government, but also serves as the leader of his political party and as

the state's "chief legislator" (Bernick and Wiggins 1991, p. 73-75; Beyle 1983, p. 180; Beyle 2004, p. 194; Cox 1991, p. 55; Gross 1991, p. 1; Herzik 1991, p. 25 and 29; Jewell 1969, p. 62; Morehouse 1976, p. 219 and 239; Morehouse and Jewell 2003, p. 182, 192 and 167-68; Ransone 1982, p. 120; Rosenthal 1990, p. 5; Sanford 1967, p. 184-85).

A governor's role as chief legislator is viewed as one of his most important roles in serving the state's citizens. He is expected to solve the state's problems by developing proposals to address them and then working to have them enacted and implemented. A governor's legislative role also has great personal importance. The success or failure of his administration is often judged on the basis of his success or failure in having his proposals enacted. Consequently, his political future often depends, in large part, on his ability to use his legislative powers to obtain the cooperation of the legislature (Bernick and Wiggins 1991, p. 73-74; Beyle 1983, p. 206; Beyle 2004, p. 221; Rosenthal 1990, p. 40-41).

Formal Legislative Powers

The chief legislative role is derived from the formal legislative powers that governors are granted by their states' constitutions (Bernick and Wiggins 1991, p. 75). First, governors of all fifty states are required to recommend a program of new policies to the legislature (Bernick and Wiggins 1991, p. 76; Jewell 1969, p. 64; Ransone 1982, p. 123-24; Rosenthal 1990, p. 6-7). Although a governor has many opportunities to publicize his policy priorities, the requirement that he deliver an annual address to the legislature provides him with a formal opening to enter the legislative process (Bernick and Wiggins 1991, p. 76). According to some scholars, the modern American conception

of executive-legislative relations is largely a result of the constitutional provisions requiring governors to make these proposals (Jewell 1969, p. 64; Ransone 1982, p. 124). If there were no requirement that the governor make policy proposals, then our view of his role might be much narrower (Ransone 1982, p. 124). We might view the governor more properly as a mere agent of the legislature, rather than as a major policy maker in his own right.

Second, state constitutions require governors in all fifty states to prepare either an annual or biennial budget proposal and present it to the legislature (Bernick and Wiggins 1991, p. 77; Beyle 1983, p. 198; Beyle 2004, p. 214-15; Jewell 1969, p. 65-66; Morehouse 1976, p. 225-26; Ransone 1982, p. 126-28). The preparation of the executive budget allows a governor to make a very specific and explicit statement of his priorities for state government (Bernick and Wiggins 1991, p. 77; Beyle 2004, p. 214; Dometrius 1991, p. 94). It also allows him to control the appropriation requests of executive branch agencies (Beyle 1983, p. 198; Beyle 2004, p. 214).

Third, state constitutions allow governors to call special legislative sessions and in some states allow them to specify the legislative agenda for those sessions (Bernick and Wiggins 1991, p. 79-80; Jewell 1969, p. 66; Jewell and Morehouse 2000, p. 243; Ransone 1982, p. 156-57). Calling a special session allows a governor to focus the attention of the media, public, and legislature on a particular issue and have it considered separately from other issues (Bernick and Wiggins 1991, p. 79-80; Jewell 1969, p. 66; Jewell and Morehouse 2000, p. 243; Ransone 1982, p. 157). Calling a special session also allows a governor to place some pressure on the legislature, especially if the subject is

one on which the legislature has failed to act. If the subject is truly important to the public, then the legislature must either act on the governor's proposals or suffer the political consequences (Bernick and Wiggins 1991, p. 79-80; Jewell 1969, p. 66; Jewell and Morehouse 2000, p. 243; Ransone 1982, p. 157).

Finally, governors are empowered to veto bills passed by the legislature, preventing them from becoming law (Bernick and Wiggins 1991, p. 78-79; Beyle 1983, p. 200; Beyle 2004, p. 215-17; Jewell 1969, p. 66-68; Morehouse 1976, p. 226; Ransone 1982, p. 125-26). Although an executive veto is subject to be overridden by the legislature, overrides are infrequent because most states require a supermajority of each legislative chamber to override the governor's veto (Bernick and Wiggins 1991, p. 78; Beyle 2004, p. 216; Ransone 1982, p. 158; Rosenthal 1990, p. 9). Because a governor's veto is seldom overridden, governors may use veto threats in negotiating with the legislature. For example, a governor can sometimes persuade legislators to amend a bill to conform more closely to his preferences by threatening to veto it if they refuse. He may also threaten to veto a bill that is important to a particular legislator as a way of persuading him to support a bill that is important to the governor (Beyle 2004, p. 217; Jewell 1969, p. 67; Ransone 1982, p. 158; Rosenthal 1990, p. 12-13). Governors may wish to use caution in exercising their veto power. A veto may be seen as a sign of weakness on the governor's part, an admission that he failed to persuade the legislature to cooperate with him (Bernick and Wiggins 1991, p. 79; Beyle 1983, p. 201; Beyle 2004, p. 216; Ransone 1982, p. 158; Rosenthal 1990, p. 12).

Many states' constitutions provide their governors with veto options that are more flexible than a mere rejection of a particular bill. In most states, governors have a line item veto that allows them to eliminate or reduce particular appropriations without rejecting an entire appropriations bill (Bernick and Wiggins 1991, p. 78; Beyle 1983, p. 200; Beyle 2004, p. 215; Jewell 1969, p. 68; Morehouse and Jewell 2003, p. 179-80; Rosenthal 1990, p. 10). The line item veto not only provides a governor with more authority over appropriations, but can also be used in bargaining for support on other bills of interest to him (Rosenthal 1990, p. 10). In a few states governors have amendatory veto power, which allows the governor to return the bill to the legislature with suggested amendments. The legislature may adopt the bill as amended by the governor, override the governor's amendments and enact the original bill, or let the bill die without becoming law in either form (Bernick and Wiggins 1991, p. 78; Beyle 1983, p. 200; Beyle 2004, p. 216-17; Jewell 1969, p. 68; Morehouse and Jewell 2003, p. 180; Rosenthal 1990, p. 9).

The powers to recommend legislation, propose a budget, and call special sessions provide a governor with the opportunity to present his program to the legislature and the public. His veto authority provides him with a useful, but limited, tool for bargaining with the legislature. These formal legislative powers, however, are usually insufficient to ensure the enactment of a governor's legislative program. A governor must exercise his other powers, both formal and informal, in order to use his legislative authority effectively (Ransone 1982, p. 159; Rosenthal 1990, p. 35-36 and 67-68). A governor must determine the policy preferences of legislators and assess the likelihood that they will support his proposals. Once he knows the likely sources of opposition and support,

the governor can then use other resources to bargain with legislative leaders and individual members to obtain their support for his proposals. As a part of the bargaining process, he can use incentives such as campaign support to obtain a legislator's cooperation. In other cases, he may threaten to use sanctions, such as withholding his support for specific projects of importance to a legislator. In some situations, a governor may adopt an outside strategy in which he tries to build support for his policies among the public, hoping that his public support will pressure the legislature to enact his policies (Bernick and Wiggins 1991, p. 73-74; Beyle 1983, p. 206; Beyle 2004, p. 221; Morehouse 1976, p. 221; Morehouse and Jewell 2003, p. 188; Ransone 1982, p. 148-56).

Other Formal Powers and Resources

A governor's formal executive powers provide additional resources that he can use to secure passage of his legislative proposals. One important resource is a governor's power to appoint certain state government officials. This appointment power not only allows a governor to place like-minded policy officials in positions of importance, but also provides him with bargaining chips for use in negotiating with legislators (Bernick and Wiggins 1991, p. 80; Beyle 1983, p. 196; Beyle 2004, p. 211-14). Similarly, the authority of a governor to award jobs, contracts, and other patronage favors provides a governor with additional bargaining resources (Bernick and Wiggins 1991, p. 80; Beyle 1983, p. 196 and 207; Jewell 1969, p. 77; Jewel and Morehouse 2000, p. 242).

A governor's staff is another executive resource that may aid him in exercising his legislative authority. Staff members who are specialists in a given policy area may assist the governor in developing and analyzing specific legislative proposals. Many

governors also have legislative liaison staff members who are knowledgeable in legislative procedures and assist the governor in planning his legislative strategy and negotiating with legislators (Beyle 1983, p. 207-8; Beyle 2004, p. 220-21; Cox 1991, p. 60; Ransone 1982, p. 132).

Informal Powers

Governors have powers beyond the formal powers granted to them by their states' constitutions. These informal powers provide a governor with additional resources to use when negotiating with the legislature (Bernick and Wiggins 1991, p. 80-81; Beyle 2004, p. 205; Herzik 1991, p. 27). A governor who has recently been elected with a large margin of victory may be perceived as having an electoral mandate to implement the policies he promoted during his campaign. If legislators perceive that the governor's platform has wide support among the voters, then they are more likely to cooperate with him than if he had only minimal voter support (Beyle 2004, p. 205; Ransone 1982, p. 150-51; Rosenthal 1990, p. 28).

A governor who maintains a high level of public approval throughout his administration may also maintain support for his policies within the legislature (Bernick and Wiggins 1991, p. 88-89; Beyle 2004, p. 208). Maintaining a high level of public approval may increase his legislative support for two reasons. First, because the media devotes a great deal of attention to the chief executive, his policy views, and his standing in the public, his popularity provides an indicator of the public's support for his legislative proposals. Legislators want the support of their constituents, but they may be uncertain about voters' opinions on public policy. For this reason, they will often use the

chief executive's standing in the public to help them decide whether to support his legislative proposals (Jewell 1969, p. 70; Rosenthal 1990, p. 27-28 and 34-35). Second, a chief executive's public standing provides an indication of his ability to mobilize public opinion against his opponents (Edwards 1989, p. 105-6). For this reason, a popular governor can threaten to withhold support from incumbent legislators who have opposed his policies, or he can even threaten to support their challengers during an election year. Such threats would be empty and likely to be ignored if they were made by an unpopular governor.

A governor's past experience as an elected official is another resource that may enhance his chances of legislative success. His preceding time in the governor's office and experience in prior elected positions, such as a lower statewide office or as a state legislator, allows him to gain substantive knowledge about important policy areas and about the legislative process. His earlier experience also provides him with an opportunity to cultivate relationships with important political allies that may be able to assist him in negotiating with the legislature. By contrast, a governor with little or no political experience prior to his election as governor may have to spend the early part of his administration learning about policy and the legislative process and building new political relationships (Beyle 2004, p. 206; Ferguson 2003, p. 161-62; Morehouse and Jewell 2003, p. 149-50; Rosenthal 1990, p. 20-21 and 71).

The prospect of a governor's continuing political career may also strengthen his bargaining position with the legislature. In most states, governors are elected to a four-year term and are eligible to run for reelection at least one time (Beyle 2004, p. 212-13).

The potential to serve in office for four years or more allows a governor the time needed to develop and pursue a legislative program by building a base of support within the legislature (Beyle 2004, p. 211; Jewell 1969, p. 68; Sabato 1983, p. 98). A governor's political career may extend beyond his gubernatorial administration. Many governors go on to be elected to a higher political office such as a U.S. senator, vice president, or president, or they are appointed to a high-ranking federal position such as a cabinet office (Beyle 2004, p. 227-28; Sabato 1983, p. 45-48 Schlesinger 1966, p. 33-34). A governor with favorable prospects for moving on to higher office may be able to continue wielding political influence even as the end of his gubernatorial term approaches (Morehouse 1976, p. 201; Schlesinger 1965, p. 210).

Finally, a number of gubernatorial scholars have suggested that a governor's ability to effectively use the resources at his disposal is an important contributor to his legislative success (Bernick and Wiggins 1991, p. 73-74; Beyle 1983, p. 206; Beyle 2004, p. 221; Morehouse 1976, p. 221; Morehouse and Jewell 2003, p. 188). Some of these scholars claim that legislative skill-level is the primary difference between successful and unsuccessful governors (Morehouse 1976, p. 221; Morehouse and Jewell 2003, p. 188).

Constraints on Gubernatorial Powers

Gubernatorial powers are also subject to constraints that may limit a governor's legislative influence. Some of these constraints are formal restrictions on the exercise of a governor's constitutional legislative authority. For example, constitutional provisions allowing legislatures to override executive vetoes constrain governors' legislative authority (Beyle 1983, p. 200; Beyle 2004, p. 215). Other constraints involve limits on a

governor's budget authority. In some states, the state constitution requires a governor to consult other officials during the initial preparation of the budget. In most states, the legislature is permitted to make extensive amendments to the governor's budget proposal when formulating the final budget for submission to the governor. Either type of constraint limits the effectiveness of a governor's budget authority as a tool of legislative influence (Beyle 1983, p. 198; Beyle 2004, p. 214-15; Jewell 1969, p. 65; Ransone 1982, p. 128-29).

Other constraints involve restrictions on the exercise of a governor's executive powers that make them less useful in pursuing his legislative agenda. In some states, the state constitution requires the popular election of important executive branch officials, such as the secretary of education. This requirement reduces a governor's appointment power, which may weaken his bargaining position with the legislature. Furthermore, popular election of these officials limits the governor's influence over major executive branch functions. For example, the governor of a state with an elected secretary of education has less influence over activities of the education department than one who appoints an education secretary. These separately elected officials may have a different electoral constituency than the governor, making them less responsive to his policy preferences than an appointed official. In the extreme case, these officials may belong to the opposing political party, placing their policy preferences in direct conflict with those of the governor (Beyle 1983, p. 191-92; Beyle 2004, p. 210-11; Gross 1991, p. 10; Herzik 1991, p. 26; Morehouse 1976, p. 222; Schlesinger 1965, p. 208). The existence of separately elected executive officials may not, however, necessarily constrain a

governor's policy influence. Gross (1991) suggests that support from a separately elected official may be of more value to a governor than support from one of his own appointees (p. 11).

A governor's appointment power may also be reduced by constitutional provisions requiring legislative approval of his appointments to certain offices or provisions allowing other political actors to make certain appointments (Beyle 2004, p. 211-14). In most states, appointment powers have been curtailed even further by civil service and merit system reforms that insulate many executive branch employees from direct gubernatorial influence (Beyle 1983, p. 206; Beyle 2004, p. 222; Jewell 1969, p. 77-79; Ransone 1982, p. 152 and 155-56). In most states the existence of independent agencies, boards, and commissions further limits the governor's executive influence. These bodies have been given executive authority, but placed outside the governor's direct control. Their existence may limit the governor's appointment power and his ability to direct policy within the independent body's policy domain (Beyle 1983, p. 199-200; Cox 1991, p. 57; Morehouse 1976, p. 227-28; Morehouse and Jewell 2003, p. 177).

Many state constitutions limit the number of consecutive terms which a governor may serve and in a few states governors serve two-year rather than four-year terms. These restrictions limit the time that a governor has to build a legislative coalition in support of his programs. These restrictions may also cause a governor's bargaining strength to decline over the course of his administration (Beyle 2004, p. 206; Morehouse 1976, p.198; Ransone 1982, p. 30, 26, and 170-71; Rosenthal 1990, p. 21; Sabato 1983, p. 98). For example, a governor may threaten to veto a bill that is important to a legislator

in order to persuade him to support a particular gubernatorial proposal. This threat may not carry much weight if the governor is in the last year of his term and is ineligible for reelection. The legislator knows that he will be working with a different governor the next year and may be willing to wait until then to pass his own legislation. If, on the other hand, the governor has three years remaining in his current term and is eligible to run for another term, then the legislator may decide that he needs to strike a deal with the governor. If he does not, then it may take him several years to overcome the governor's veto threat. Gubernatorial term limits may also lessen a governor's political influence relative to other statewide elected officials. If other statewide officials, such as the attorney general, are not subject to term limits, then they may be able to build a political constituency that allows them to contest the governor for influence over public policy (Schlesinger 1965, p. 219).

Because a governor requires the cooperation of the legislature to enact legislation, conflict between the legislature and the governor may constrain the governor's legislative authority (Rosenthal 1990, p. 40). One source of conflict is the difference in the two institutions' perspectives regarding public policy (Beyle 1983, p. 207; Beyle 2004, p. 221; Rosenthal 1990, p. 52-54). A governor's constituency encompasses the entire state, whereas a legislator's main constituency is located within his district. For this reason, governors are viewed as more likely than legislators to propose comprehensive policy changes that will affect the state over the long-term rather than incremental reforms that achieve short-term political objectives. This difference in policy goals leads, in turn, to a difference in bargaining styles. A governor will negotiate in an attempt to overcome

opposition to his program, while trying to retain its coherence. Legislators, on the other hand, will be more likely to compromise on various aspects of a policy proposal in an attempt to piece together a bill that will be supported by a majority of legislators (Rosenthal 1990, p. 52-54).

Finally, there is a difference in the responsibility that is placed on governors and legislators. A failure to achieve his policy goals is viewed as a personal failure by a governor, as he holds sole responsibility for the conduct of his administration. Legislators, on the other hand, share collective responsibility with the rest of the legislature. If the legislature fails to act, then an individual legislator can almost always pass the buck and blame the failure on other legislators (Rosenthal 1990, p. 54).

A legislature's own policy making resources may further constrain a governor's legislative authority by strengthening the legislature's bargaining position with the governor (Ferguson 2003, p. 164; Rosenthal 1990, p. 39 and 47). One important policy making resource is time. Legislatures that are in session for more days of the year have more time to spend developing and promoting new policies. Another important resource is legislative staff to draft legislation, analyze proposals, and evaluate existing legislation. A larger legislative staff provides a legislature with a greater capacity for making its own policy proposals. Finally, higher legislator salaries enhance a legislature's policymaking ability. Higher salaries free legislators from maintaining outside employment and allow them to devote more of their time to legislative activities (Bernick and Wiggins 1991, p. 88; Rosenthal 1990, p. 44-46 and 62-63).

A governor's potential for legislative success may also be affected by the degree to which power is fragmented and decentralized within the legislature. A legislature with many committees and subcommittees provides a greater number of legislators with the ability to block legislation than one in which power is more centralized. An increase in the number of opportunities to block legislation may reduce a governor's likelihood of legislative success, especially when the committees are controlled by members of the opposition party (Rosenthal 1990, p. 39 and 62).

Governors depend heavily on their political party members to form the base of their supporting coalition in the legislature. There are several reasons that the governor's party members will be motivated to support his legislative program. First, their electoral coalitions include many of the same voters and, therefore, they share many goals and policy preferences (Rosenthal 1990, p. 18). Second, legislative members of the governor's party run for reelection on his record as well as their own. His success and popularity increases their own probability of electoral success (Morehouse 1998, p. 205; Rosenthal 1990, p. 19). Third, the governor's party members often have personal loyalties or emotional commitments to their party and naturally prefer to support the governor rather than the opposition party (Rosenthal 1990, p. 18). Consequently, the constraints imposed by the legislature on a governor's legislative authority are likely to be the strongest when the legislature is controlled by members of the governor's opposition party (Bernick and Wiggins 1991, p. 87-88; Beyle 1983, p. 206 and 230; Beyle 2004, p. 217; Jewell 1969, p. 81-82; Jewell and Morehouse 2000, p. 239; Morehouse and Jewell 2003, p. 185; Rosenthal 1990, p. 55).

A large legislative majority, however, provides no guarantee that the governor will be successful in having his legislative program enacted into law. Large legislative majorities are more likely than small ones to be divided into either ideological or regional factions. Conflict between these factions within the governor's own party may make it difficult for him to build a legislative coalition to support his policies (Beyle 1983, p. 206; Jewell 1969, p. 81-82; Ransone 1982, p. 168-69).

Finally, the political, social, and economic environments in which a governor operates may place constraints on a governor's ability to exercise legislative authority (Bernick and Wiggins 1991, p. 84). For example, the prevailing policy preferences of a state's citizens may limit the exercise of a governor's legislative authority. Erikson, Wright, and McIver (1993) find that states in which citizens are more liberal tend to have public policies that are more liberal (p. 89). They suggest that this relationship between state policies and citizen ideology occurs for two reasons. First, the party elites who serve as policymakers are drawn from the population at large, so that states with citizens who are more liberal produce policymakers who are more liberal (Erikson, Wright, and McIver 1993, p. 119). Second, citizens are likely to support politicians that enact policies that match their preferences. As a result, even politicians whose liberalism deviates greatly from that of the public at large are motivated to enact policies that correspond closely to public preferences in order to avoid losing the next election (Erikson, Wright, and McIver 1993, p. 138). DiLeo (1997) suggests that a governor's policy choices will be constrained by the policy preferences of his state's voters (p. 98).

A governor's legislative authority may also be constrained by the state's economic conditions. For example, a governor of a state with relatively little wealth may have very limited success in promoting policies that require large expenditures. Similarly, if a state is experiencing a budget deficit, proposals to implement new policies may find little support in the legislature if they require large appropriations of state funds (Bernick and Wiggins 1991, p. 84).

Empirical Studies of Gubernatorial-Legislative Relations

Many empirical studies of gubernatorial-legislative relations examine the extent to which a governor's formal and informal powers contribute to his legislative success. Others examine the constraints imposed on his legislative authority by the political, social, and economic environment in which he operates. The findings of these studies are summarized in this section.

I also review the findings of selected empirical studies of presidential influence in Congress. These studies are relevant to my study of gubernatorial-legislative relations because of the similarities between governors and presidents. Presidents and governors are each chief executives who are frequently the focus of attention by the public and the media. Governors and presidents also fulfill similar policy roles and possess similar powers, such as the ability to veto legislation, make executive appointments, and recommend legislation. Key studies of the relationship between the president and Congress examine aspects of executive-legislative relations that have received relatively little attention within the gubernatorial literature. The findings of these studies provide

additional insights into the nature of executive-legislative relations that can be applied to our understanding of gubernatorial-legislative relations.

The Impact of Formal Powers on Legislative Success

Many gubernatorial scholars have asserted that a governor's formal powers and resources provide him with tools that he can use in negotiating with the legislature, implying that strong governors should experience greater legislative success than weak ones (Bernick and Wiggins 1991, p. 80; Beyle 1983, p. 196 and 207; Beyle 2004, p. 211-14 and 217; Dilger, Krause, and Moffett 1995, p. 556; Jewell 1969, p. 67 and 77; Jewel and Morehouse 2000, p. 242; Ransone 1982, p. 158-59; Rosenthal 1990, p. 10, 12-13, 35-36 and 67-68). The empirical evidence supporting the idea that strong governors are more successful in the legislature is, however, mixed.

Ferguson (2003) examines the influence of gubernatorial powers on legislative success (p. 162). She finds that a governor's legislative success is not affected by his veto power, authority over executive appointments, or budget authority (Ferguson 2003, p. 170). Ferguson (2003) finds, however, that having a larger executive staff contributes to greater success in the legislature (p. 171). Dilger, Krause, and Moffett (1995) find that the combination of greater formal powers with other resources, such as a larger executive staff, contributes to greater gubernatorial effectiveness, although neither formal powers nor the other resources have any independent effect (p. 562).

The Impact of Informal Powers on Legislative Success

Several scholars contend that governors' formal powers must be supplemented by their informal powers to achieve legislative success (Bernick and Wiggins 1991, p. 80-81; Beyle 2004, p. 205; Herzik 1991, p. 27; Ransone 1982, p. 159; Rosenthal 1990, p. 35-36 and 67-68). Key informal powers include a governor's electoral mandate, public approval, prior experience in elected office, and skills in legislative negotiation.

A governor is viewed as having public support for his policies if he can credibly claim an electoral mandate or if he has a high public approval rating. In either case, gubernatorial scholars assert that governors with greater public support will have more influence over the legislature than governors with less support (Bernick and Wiggins 1991, p. 88-89; Beyle 2004, p. 205 and 208; Ransone 1982, p. 124; Rosenthal 1990, p. 28; Van Assendelft 1997, p. 13 and 211). There is little empirical evidence, however, that greater public support translates directly into greater success in the legislative arena. Ferguson (2003) finds that neither a large margin of victory, which is a major indicator of an electoral mandate, nor high levels of public approval contribute to a governor's legislative success (p. 169-70). She finds, however, that governors who are embroiled in scandal experience less success than governors who are not (Ferguson 2003, p. 170).

The presidential literature provides additional information about the influence of public approval on a chief executive's legislative success. Even within this literature, however, there is only limited evidence that high levels of public approval increase a president's legislative success. Edwards (1989) finds that public approval has only a small effect on presidential support within Congress (p. 118-19). Bond and Fleisher

(1990), however, find that popular presidents win no more votes than unpopular presidents, after controlling for the other factors that affect legislative success, such as the partisan and ideological balance of Congress (Bond and Fleisher 1990, p. 194).

Edwards (1989) concludes that a high level of public approval will allow a president to use his other resources, such as campaign support or veto threats, more effectively. It is unlikely, however, to be a decisive factor in determining legislative success (p. 125). Bond and Fleisher (1990) conclude that the most important effect of public approval on a president's legislative success is indirect. They contend that popular presidents can provide more campaign support to members of their party during mid-term congressional elections than unpopular presidents, thus increasing the number of congressional seats held by the president's party and creating the potential for higher levels of legislative success (p. 194-95).

A governor's prior experience in state elective offices is another source of informal power that is expected to increase his influence within the legislature (Beyle 2004, p. 206; Ferguson 2003, p. 161-62; Morehouse and Jewell 2003, p. 149-50; Rosenthal 1990, p. 20-21 and 71). Ferguson's (2003) findings provide mixed support for this proposition. She finds that governors with prior gubernatorial experience are more successful in having their legislative proposals enacted into law, but finds no relationship between prior legislative experience and legislative success (Ferguson 2003, p. 170).

Conventional wisdom holds that a president's success in Congress or a governor's success in the state legislature depends on his legislative skills (Bernick and Wiggins 1991, p. 73-74; Beyle 1983, p. 206; Beyle 2004, p. 221; Edwards 1989, p. 168;

Morehouse 1976, p. 221; Morehouse and Jewell 2003, p. 188). According to this view, a chief executive must have knowledge of the legislature, including information about its procedures and which members possess the most power to aid him by advancing his policies. He can use that knowledge to consult with members of the legislature, find out about their policy preferences, and assess the likelihood of support for his proposals. Once he knows the likely sources of opposition and support, a chief executive can bargain and negotiate with legislative leaders and individual members to obtain their support. As a part of the bargaining process, he can use incentives such as campaign support or assistance in constituent service to obtain a legislator's support. In other cases, he may threaten to use sanctions, such as withholding his support for specific projects of importance to a legislator. Occasionally, he will appeal directly to individual legislators to ask for their support. Finally, a chief executive must have the ability to compromise because he may need to modify his proposals in order to see them enacted (Edwards 1989, p. 70-71, 84-87, 189, 196, and 199; Bond and Fleisher 1990, p. 30-31).

There is little empirical evidence that a chief executive's legislative success depends significantly on his legislative skills. There are no major studies of gubernatorial-legislative relations that directly examine the influence of a governor's legislative skills on his legislative success. Two studies within the presidential literature, however, explore the importance of legislative skills within the context of presidential-congressional relations. These studies can help shed light on the contribution that legislative skills make to governors' legislative success. Edwards (1989) examines legislative support during each presidential administration from Eisenhower to Reagan

and finds no systematic variation in support that can be attributed to the president's legislative skill-level (p. 185). Bond and Fleisher (1990) analyze the relationship between the presidents' perceived skill-levels and success on roll call votes. After controlling for other factors that are likely to affect presidential success, such as the partisan and ideological balance of Congress, they find that legislative success rates are unrelated to presidential skill-levels (Bond and Fleisher 1990, p. 218).

Constraints on Gubernatorial Influence over the Legislature

Gubernatorial powers are subject to constraints that may diminish a governor's influence over the legislature. Some constraints are a result of constitutional limitations on executive power, such as restrictions on a governor's eligibility to seek reelection or requirements for the popular election of important executive branch officials. Sharkansky (1968) finds that governors of states where there are few separately elected officials have greater influence over the budget than those of states that elect relatively many statewide officials (p. 1229). He also finds that lame duck governors have less budgetary influence than those who are eligible for reelection (Sharkansky 1968, p. 1229). Ferguson (2003), on the other hand, finds that eligibility for reelection has no effect on a governor's legislative success (p. 170).

The partisan and ideological composition of the legislature may impose additional constraints on a governor's legislative influence. Gubernatorial scholars suggest that a governor's influence over the legislature will tend to be less when the opposition party controls one or both legislative chambers (Bernick and Wiggins 1991, p. 87-88; Beyle 1983, p. 206 and 230; Beyle 2004, p. 217; Jewell 1969, p. 81-82; Jewell and Morehouse

2000, p. 239; Morehouse and Jewell 2003, p. 185; Rosenthal 1990, p. 55). The empirical evidence in support of this proposition is consistent. In three separate studies, Morehouse (1973, 1996, and 1998) finds that governors receive more support from their own party members in the legislature than from the opposition (Morehouse 1973, p. 67; 1996, p. 369; 1998, p. 219-20). Ferguson (2003) finds that governors experience greater legislative success when their party controls the legislature than under conditions of divided government (p. 171). Even studies of presidential-congressional relations find that presidents also receive greater legislative support from their own party members than from opposition members (Bond and Fleisher 1990, p. 90-91; Edwards 1989, p. 40-41).

A large legislative majority, however, does not ensure legislative success for a governor. Conflict between ideological or regional factions within the governor's political party can make it difficult for him to assemble a legislative coalition to support his program (Beyle 1983, p. 206; Jewell 1969, p. 81-82; Ransone 1982, p. 168-69). Ideological diversity within the president's party members in Congress can create similar coalition-building problems for the president (Edwards 1989, p. 39-40 and 47; Bond and Fleisher 1990, p. 91). Empirical studies that examine the influence of this ideological diversity on presidential success in Congress can aid our understanding of its contribution to gubernatorial success in state legislatures.

Presidents typically receive support from no more than two-thirds of their party members in Congress because members of Congress sometimes defect from their party coalitions (Edwards 1989, p. 39-40 and 47; Bond and Fleisher 1990, p. 91). Bond and Fleisher (1990) have analyzed in detail the effect of ideological diversity within

congressional parties on the president's ability to obtain support for his policies. Within each party there is a base faction that includes members whose ideology is relatively close to the party's mainstream views and a cross-pressured faction with an ideology that is closer to that of the opposition party (Bond and Fleisher 1990, p. 83-84). For example, most Republican members of Congress are ideologically conservative and they constitute the base faction within their party. There is also, however, a relatively small number of more liberal Republican members who constitute the cross-pressured faction. Presidents usually receive the most support from their party's base faction and the least from the opposition's base. A president's partisan base alone, however, usually does not provide him with enough votes to ensure success on a roll call vote (Bond and Fleisher 1990, p. 93). The additional support required for legislative success may come from either of the two cross-pressured factions (Bond and Fleisher 1990, p. 90-91). Depending on the issue under consideration, the president may build a partisan coalition comprised of the base and cross-pressured factions within his own party, or an ideological coalition made up of his base faction and the cross-pressured faction within the opposition party. The formation of a three-faction coalition by the president is unlikely because increased support from one cross-pressured faction is likely to result in decreased support from the other (Bond and Fleisher 1990, p. 118).

The legislative factions that are most important to the president depend on which party controls Congress. During periods of unified government, when the president's party is in control of Congress, the president's probability of legislative success hinges largely on his ability to unify his base. If the president's base is unified in support of an

issue, that is if he receives support from at least 75 percent of its members, he is highly likely to win a floor vote on an issue, even if the opposition base is unified. If the president lacks unified support from his base, however, then he is much less likely to experience legislative success (Bond and Fleisher 1990, p. 113-15).

During periods of divided government, however, the president cannot rely solely on his own party members for support. He must seek votes from the opposition party in order to build a majority in support of his proposals. Obtaining support from the opposition, however, often requires the president to make concessions that alienate members of his own party. In this circumstance, the president's likelihood of legislative success depends mainly on whether he can obtain support from the opposition party. If the opposition base is unified against him, then the president is unlikely to be successful in a floor vote, even if he has the unified support of his own base faction and one of the cross-pressured factions (Bond and Fleisher 1990, p. 113-15). Morehouse (1996 and 1998) finds evidence that a governor must sometimes make a similar tradeoff between seeking legislative support from the opposition and seeking support from his own party. During periods of divided government, governors receive more support from the opposition and less from their own party than they receive during periods of unified government (Morehouse 1996, p. 379; 1998, p. 219-20). This shift in support indicates that concessions made by a governor to obtain support from the opposition can cost him support within his own party.

A governor's influence over public policy may also be constrained by the legislature's ability to formulate its own policy proposals (Ferguson 2003, p. 164;

Rosenthal 1990, p. 39). This legislative policy making ability depends on the resources that a legislature has at its disposal, which are commonly measured in terms of time in session, legislative salary, and legislative staff (Bernick and Wiggins 1991, p. 88; Ferguson 2003, p. 164; Rosenthal 1990, p. 44-46 and 62-63).

Rosenthal (1990) suggests that highly professionalized legislatures will be more influential in legislative-executive bargaining than those that less highly professionalized (p. 47). This line of reasoning implies that a governor will receive less support for their proposals when working with a legislature that is highly professionalized than when the legislature has fewer policy making resources. Empirical analyses find, however, that governors of states with more highly professionalized legislatures enjoy greater success than those of states with less professionalized legislatures (Dilger, Krause, and Moffett 1995; p. 562-63; Ferguson 2003, p. 171).

Finally, the ability of a governor to recommend the legislative program he prefers may be constrained by such factors as the resources he has available to promote his policies, the budgetary and other governmental resources available to fund and implement them, and by state political, economic, and social conditions. Chief executives make a number of decisions as they formulate their legislative agendas that may influence their probability of legislative success. They must decide on the size of their agenda, when to introduce proposals, whether to propose the creation of a new program or modification of an existing one, whether the program should have a relatively large or small budgetary cost, and whether the program should make large or small changes to existing policies (Bond and Fleisher 1990, p. 31-33; Edwards 1989, p. 201-6; Light 1999,

p. 35; Peterson 1990, p. 148-49). Van Assendelft (1997) contends that governors attempt to maximize their probability of legislative success when making these decisions (p. 216).

Because a chief executive's resources are finite, many scholars argue that he must limit his legislative agenda to just a few, high priority issues. Presidential scholars contend that by limiting his agenda to a few issues, the president is able to better concentrate his efforts and those of his staff toward promotion of those issues within Congress. They also suggest that a limited agenda helps the president to ensure that Congress is attending to the issues of the most importance to him (Bond and Fleisher 1990, p. 32; Edwards 1989, p. 201-2; Light 1999, p. 52-53). Empirical evidence to support these claims also exists at the state level. Ferguson (2003) finds that a governor's probability of legislative success decreases as the number of items on his agenda increases (p. 170).

Scholars also suggest that the timing of legislative proposals is important. Light (1999) describes a "cycle of decreasing influence" that affects the president's legislative success. Light (1999) contends that during his administration, the president experiences a decline in important resources, such as political capital, time, and energy. This decline in resources leads to diminished legislative influence and success (p. 36-37). Light (1999) also describes a "cycle of increasing effectiveness" that counters the "cycle of decreasing influence." Over time the president and his staff gain more knowledge about the legislative process and specific policy issues which contributes to an increase in legislative success (Light 1999, p. 37-38). Empirical evidence supports the existence of a "cycle of decreasing influence" at both the national and state levels. Light (1999) finds

that presidential proposals sent to Congress during the president's first year in office have a better chance of passage than those sent later in the term (p. 44-45). In a study of executive-legislative relations at the state level, Ferguson (2003) finds governors have less legislative success at the end of their terms than at the beginning (p. 170).

In addition to choosing when to introduce a proposal, a chief executive must choose between proposing the creation of a new program or the modification of an existing program (Light 1999, p. 109; Peterson 1990, p. 152-53). Each choice has both advantages and disadvantages. Formulating a proposal for a new program affords a chief executive a greater opportunity to change the direction of public policy, but consumes more of his staff member's time (Light 1999, p. 109 and 123). Modifying an existing program may consume fewer staff resources than designing a new program, but an existing program frequently has a coalition that benefits from it. If the clientele groups view the changes as detrimental to their own interests, then they will most likely resist them, leading to a decreased probability of success (Light 1999, p. 109; Peterson 1990, p. 155).

A chief executive must also decide whether his proposed alternative will have a relatively large or small budgetary cost or make large or small changes to existing policies. Proposals that have large budgetary costs or that make large policy changes are expected to have a lower probability of legislative success because they are likely to receive more resistance than those with small costs or that make small changes (Light 1999, p. 108-9; Peterson 1990, p. 152-53).

Peterson (1990) finds that the legislative outcome of a presidential proposal is influenced by these budgetary and programmatic characteristics. Proposals that involve both the creation of a new program and either a large budgetary cost or a large policy change are most likely to have a legislative outcome that is unfavorable from the president's point of view. The president is more likely to succeed in creating a new program if its cost and effect on existing policy are both small. Passage of a proposal to modify an existing program frequently requires compromises between the president and Congress (Peterson 1990, p. 154).

According to Peterson (1990), chief executives have limited flexibility when developing their legislative proposals. Their choice of policies may be constrained by such factors as the prevailing economic conditions or their own partisan affiliation (Peterson 1990, p. 149). Chief executives' policy choices may also be constrained when issues, such as natural disasters or other crises, arise suddenly and demand immediate attention. The attention required by these transitory policy problems may prevent a chief executive from devoting attention to other issues that are important to him (Herzik 1991, p. 34-36).

Studies of gubernatorial agenda setting provide empirical evidence that governors' policy proposals are influenced by state political and economic conditions. A governor's party affiliation is one key determinant of his policy preferences. In separate analyses of gubernatorial addresses, both DiLeo (2001) and Coffey (2006) find that Democratic governors place more emphasis than Republican governors on redistributive policies, which are intended to transfer resources from the wealthy to the poor (Coffey

2006, p. 17; DiLeo 2001, p. 57). The findings of these two authors differ with respect to developmental policies, which are designed to foster economic growth by improving the quality of public infrastructure and services, provide assistance to businesses, reduce crime, or provide recreational and cultural amenities. Coffey (2006) finds that Republican governors place greater emphasis on developmental policies than Democratic governors, whereas DiLeo (2001) finds no significant difference between governors of the two parties (Coffey 2006, p. 17; DiLeo 2001, p. 57).

The policy preferences of a state's citizens also influence gubernatorial legislative proposals. DiLeo (1997) finds that governors of states with strong public support for liberal policies place a greater emphasis on redistributive policies than those of states where there is little support (p. 105). Coffey (2006) finds that the influence of citizen policy preferences varies according to the type of policy and the governor's party affiliation. He finds that Republican governors emphasize redistributive policies more heavily in states with a relatively large percentage of liberal citizens than in states with relatively few liberal citizens. He finds no effect, however, of citizen liberalism on Democratic proposals regarding redistributive policy (Coffey 2006, p. 19-20). In the case of developmental policies, he finds that Democratic governors emphasize them less when citizen liberalism is high than when it is low. He finds that Republican advocacy of developmental policies is unaffected by citizen liberalism (Coffey 2006, p. 19-20).

A state's economic conditions also influence the governor's policy proposals. DiLeo (2001) finds that governors in states with high per capita incomes emphasize redistributive policies more heavily than those in states with low per capita incomes (p.

57). Coffey (2006) finds that Republican governors have a different response to poor economic conditions than Democratic governors. Specifically, Republican governors place less emphasis on redistributive policies during periods of high unemployment in a state than during periods of low unemployment. He finds that Democratic advocacy of redistributive policies, however, is unaffected by economic conditions (Coffey 2006, p. 19-20).

Partisan balance in the legislature is another important determinant of gubernatorial policy recommendations. Coffey (2006) finds that Democratic governors place a greater emphasis on redistributive policies when their party holds a large percentage of the legislative seats than when they hold relatively few. Republican governors increase their emphasis on developmental policy as their party strength increases in the legislature (p. 19-20). Van Assendelft (1997) concludes that governors are more likely to pursue policies that are strongly opposed by a significant portion of the population when their party controls the legislature, but will tend to avoid such controversy when their party is in the minority (p. 214).

Governors and Economic Development Policymaking

The role of governors in formulating state economic development policies dates back to the Depression era (Grady 1989, p. 881). Scholars have analyzed gubernatorial influence on state economic development policies using both quantitative methods and qualitative case studies. This section summarizes the findings of these studies.

Quantitative Analyses of Governors and Economic Development Policy

There are relatively few quantitative studies concerning governors and economic development policymaking. Boeckelman (1996) content analyzes governors' statements with regard to economic development policy and finds that their policy preferences are related to their party affiliation. He finds that Republican governors have a greater preference than Democratic governors for traditional economic development policies that attempt to attract businesses to a state by providing a low-cost business climate. He also finds that Democratic governors have a greater preference than Republican governors for entrepreneurial policies that are intended to stimulate the creation of new businesses within a state (p. 347). Other scholars examine the influence of governors' institutional strength on the number and types of economic development policies that their states enact. They find that states with strong governors use a greater number and wider variety of economic development policies than states with weak governors (Ambrosius 1989, p. 63; Elkins, Bingham and Bowen 1996, p. 166).

Governors and the Initiation of Traditional Economic Development Programs

Cobb's (1993) case study of the industrial expansion efforts of Southern states from 1936 to 1990 highlights the role of governors at creating a formal role for state governments in making economic development policy. In 1936, Mississippi Governor Hugh White initiated the first formal state economic development program, which he called "Balance Agriculture with Industry" (Grady 1989, p. 881). Governor White argued that Mississippi must distinguish itself from other Southern states if it was to be successful at industrial recruiting. Not only did the other states have the same abundant,

low-cost labor, and access to raw materials as Mississippi, but most were already ahead of Mississippi in terms of per-capita manufacturing production (Cobb 1993, p. 11-12). White contended that a statewide program to offset mobile firms' relocation costs by providing them with low-cost facilities would help make Mississippi more attractive than its neighboring states (Cobb 1993, p. 12).

Under White's program, a state commission assisted local governments with industrial recruiting and supervised the use of municipal bonds to finance plant facilities for the industrial firms that chose to locate in Mississippi communities (Cobb, 1993, p. 5). Although Southern communities had been providing subsidies to industrial firms as a location inducement long before the Depression era, in most cases, local governments offering these subsidies were doing so without legal authorization. In some cases, the subsidies were provided despite being prohibited by state laws (Cobb 1993, p. 5). Governor White's program was different from earlier industrial promotion efforts in that it was the first program to centralize the industrial recruitment effort at the state level (Cobb 1993, p. 32-34).

The industrial promotion efforts initiated by Governor White were widely credited for Mississippi's large growth in manufacturing output during the postwar period (Cobb 1993, p. 30-32). Consequently, other Southern states adopted similar industrial recruitment policies (Cobb 1993, p. 35-36). By 1962, nine Southern states had enacted programs similar to Mississippi's and by 1968, every Southern state except North Carolina had a program for financing the construction of industrial facilities (Cobb 1993, p. 36). During this same period, Southern states expanded their use of traditional

economic development policies by providing manufacturing firms with tax exemptions, free and low-cost land, and other subsidies, further intensifying the interstate competition for new industrial development (Cobb 1993, p. 46-56).

By the early 1960s, several northern states had adopted economic development policies similar to those of the Southern states (Cobb 1993, p. 36). Hugh White and other Southern governors had ushered in a competitive era in which state governments became deeply involved in using tax and financial incentives to promote economic growth (Cobb 1993, p. 34). Traditional economic development programs continued to proliferate and by the early-1980s were used in nearly every state (Saiz 2001b, p. 50).

Governors and the Emergence of Entrepreneurial Economic Development Policies

Other case studies analyze the role of governors at initiating entrepreneurial economic development policies that attempt to create businesses locally rather than recruit them from other locations (Eisinger 1988; Ferguson and Ladd 1988; Fosler 1988; Jackson 1988; Landry 1988; Osborne 1988). These case studies find that governors began to reconsider the appropriate role of state governments in economic development policy in response to major changes in the national and regional economies that occurred in the late 1970s and early 1980s.

There were three facets to this economic transformation. First, the productive capacity of traditional industries, such as durable goods manufacturing, was growing faster than the market for their products. This change led to heightened competition within these sectors, which in turn contributed to fiscal stress in states where these industries comprised an important part of the economy. Second, American industries

were subjected to increased global competition. In some sectors, such as the automotive industry, foreign firms competed directly with domestic firms for a larger share of the American market. In other sectors, such as shoes and textiles, firms that had moved from the northeast to Southern states in search of low-wage labor moved overseas in search of even lower-wage workers. States with many workers employed in these industries experienced economic decline as a result of this competition. Finally, the development of new technologies such as those in information processing, robotics, and biotechnology stimulated the creation of new industries, which led to economic growth in states where these new businesses were located (Fosler 1988, p. 15-17).

This economic transformation occurred at about the same time that a long series of state government reforms culminated in the expansion of gubernatorial policy making resources and the removal of many institutional obstacles that had prevented governors from effectively exercising their executive authority (Sabato 1983, p. 62 and 88-90). This period was also one in which there were major changes in the federal relationship between the national and state governments. These changes led to a shift of many policy responsibilities from the federal government to the states (O'Toole 1999, p. 23-24; Sabato 1983, p. 167-68). This expansion of state policy making responsibility provided governors with opportunities to employ their enhanced executive authority (Sabato 1983, p. 180).

In some states, policymakers argued that the proper response to the ongoing transformation of the economy was to intensify efforts to create a lower-cost business climate with traditional cost reduction policies (Jackson 1988, p. 113). Other

policymakers proposed the creation of new economic development policies that were intended to stimulate the creation of new businesses rather than merely attracting business firms from other states. Eisinger (1988) and Fosler (1988) argue that governors were among the important state policymakers who played a key role in the emergence of these entrepreneurial economic development policies (Eisinger 1988, p. 258, 292, and 304-5; Fosler 1988, p. 319). Case studies specifically identify Governors William Milliken of Michigan, Richard Thornburgh of Pennsylvania, Michael Dukakis of Massachusetts, and Bruce Babbitt of Arizona as influential advocates for the adoption of entrepreneurial economic development policies in their states during the early 1980s (Ferguson and Ladd 1988; Jackson 1988; Landry 1988; Osborne 1988).

Although each governor's economic development plan was tailored to meet the particular needs of his state, the plans shared several common elements that define entrepreneurial economic development policies. First, all of the plans were intended to foster collaboration between the states' higher education institutions and the private sector. The Centers of Excellence programs initiated by Governors Dukakis and Babbitt and the Ben Franklin Partnership developed by Governor Thornburgh all directly provided research funding to universities in the three states (Ferguson and Ladd 1988, p. 76-77; Landry 1988, p. 262-63; Osborne 1988, p. 48-49). Governor Milliken's program established advanced technology research centers in close proximity to Michigan's major research universities, but the level of cooperation between the universities and the research centers was often low (Jackson 1988, p. 116). The research grants awarded under these programs funded projects to transform university research into new

commercial products or to assist firms in developing new production methods (Ferguson and Ladd 1988, p. 77; Jackson 1988, p. 115-16; Landry 1988, p. 262-63; Osborne 1988, p. 43). The Pennsylvania and Massachusetts programs required the universities receiving the grants to also secure financial support from a private sector partner. These requirements ensured that the research projects were targeted at private sector needs (Ferguson and Ladd 1988, p. 78; Osborne 1988, p. 48-49).

Second, the economic development programs implemented by these governors focused on developing new technologies and industrial sectors, rather than maintaining the states' established industries (Osborne 1988, p. 47-48). Governor Dukakis' Centers of Excellence program specifically targeted the plastics, biotechnology, photovoltaic, and marine sciences sectors for development (Ferguson and Ladd 1988, p. 77). Governor Babbitt's program targeted medical research, astronomy, agriculture, and electronics (Landry 1988, p. 263). In Michigan, the Milliken program was targeted at robotics and biotechnology (Jackson 1988, p. 116).

Finally, most of these governors' economic development programs provided resources to assist entrepreneurs in starting new businesses. In some cases, the programs provided significant financial resources. For example, the Michigan legislature enacted a law proposed by Governor Milliken that allowed the state to use up to five percent of the money in its pension system to establish several venture capital funds. These funds invested in new high-technology firms and were credited with attracting additional venture capital funding from private sources (Jackson 1988, p. 116-117). In other cases, the programs provided entrepreneurs with other valuable resources, such as low-cost

business facilities or entrepreneurial training programs (Ferguson and Ladd 1988, p. 78; Osborne 1988, p. 49).

The entrepreneurial economic development programs initiated by these governors redefined the role of state governments in the process of economic development. States began to take an active role in stimulating the creation of new businesses rather than merely recruiting businesses from other states. Over time, more states enacted entrepreneurial economic development policies and by 1993, all fifty states had adopted economic development policies with entrepreneurial elements (Saiz 2001b, p. 50).

Concluding Remarks

For a modern American governor, the ability to have his proposals enacted by the legislature is an important factor in the success of his entire administration. The exact configuration of formal and informal powers available to a governor and the constraints imposed on his legislative authority vary from one state to another. These powers and constraints also vary over time. Governors today have many more resources available to them for wielding influence within the legislature than their predecessors had in the years immediately following American independence (Beyle 1983, p. 181; Ransone 1982, p. 122-23; Sabato 1983, p. 3; Schlesinger 1965, p. 213). Even as late as the 1960s and early 1970s, many governors lacked the authority to match their responsibility (Sanford 1967, p. 1-3; Sabato 1983, p. 57). A governor's resources and constraints may even fluctuate during the course of his administration in response to changes in the political, economic, and social environments in which he operates.

Many of the empirical studies reviewed in this section find that the success of a governor in the legislative arena is influenced by several factors. Some of these factors, such as the powers granted to governors by their state's constitution or the partisan composition of the legislature, are outside of their direct control. Other factors, such as the design of their policy proposals or the times they choose to introduce them, provide chief executives with the ability to make choices that influence their chances of legislative success. Quantitative analyses and qualitative case studies find that governors influence legislation concerning state economic development policy. In the next chapter, I outline a theory of how governors make choices when developing legislative proposals concerning economic development policy.

CHAPTER II

A THEORETICAL FRAMEWORK FOR STUDYING GUBERNATORIAL ECONOMIC DEVELOPMENT PROPOSALS

My theory of gubernatorial policy development is based on rational choice theory in which individuals are assumed to be self-interested. In other words, they have personal and political goals and choose actions that enable them to achieve those goals. Achieving their goals, however, requires individuals to use scarce resources such as time, effort, or money. Consequently, a rational actor will seek to be efficient in his goal attainment. He will attempt to either minimize the quantity of resources he expends in pursuit of a given goal or maximize the benefits he obtains in return for a given expenditure of resources. This assumption about efficiency also implies that if the quantity of resources required to attain a specific goal increases, then a rational actor will tend to seek less of it (Buchanan and Tullock 1962, p. 34; Downs 1957, p. 4-6, 1967, p. 2).

Formulating the Governor's Legislative Agenda

A governor makes many choices when formulating his legislative agenda. First, he must choose which policy issues to include on his agenda. After he has placed an issue on his legislative agenda he must make several more choices in the course of developing one or more policy proposals to address it. Each choice has benefits and costs associated with it. In my theory, a governor acts rationally when making these choices by attempting to maximize his benefits while minimizing the use of his resources. A governor's ability to make these choices may, however, be constrained by factors outside of his control. For

example, when the opposition party controls the legislature, a governor may need to accommodate the preferences of that party when preparing his legislative agenda.

Gubernatorial Goals

Light (1999) contends that presidents have one of three primary goals in mind when making agenda decisions: reelection, historical achievement, or good policy (p. 63). Governors have goals similar to those of presidents. For example, they value reelection when they are eligible for another term. If they are ineligible for reelection because of term limits, then they may seek election to a higher office such as the presidency or an appointment to a high-ranking position at the national level such as a cabinet office (Bernick and Wiggins 1991, p. 82; Beyle 2004, p. 227-28; Sabato 1983, p. 45-48 Schlesinger 1966, p. 33-34). Governors are also motivated by a desire for an historical legacy. The enactment of a major gubernatorial policy proposal is an achievement that may enable a governor to be remembered favorably by the people of his state far beyond the end of his time in office (Bernick and Wiggins 1991, p. 82).

Governors also seek the enactment of particular policies (Beyle 2004, p. 219). A governor may favor certain policies over others because he believes they are needed to solve problems facing the state, because they are compatible with his political ideology, or because they are favored by members of his political party or the electorate. Once he is in office, a governor will be motivated to work for these policies in order to take credit for solving problems, because they are compatible with his ideology, or because doing so will allow him to fulfill campaign promises and satisfy his electoral supporters.

Governors have other goals in addition to those of reelection, historical achievement, and developing good public policy. For example, governors are often concerned with maintaining public support. Maintaining a high level of public support may help a governor to achieve multiple goals. It may contribute to his electoral success and may also aid him in achieving a specific policy goal by encouraging his party members in the legislature to provide greater support, increasing his chances of success in the legislature (Beyle 2004, p. 208-9; Edwards 1989, p. 125). A governor also wishes to increase the number of legislative seats that are held by members of his party because having a larger partisan faction in the legislature is another way to increase the level of support he can expect to receive for his legislative proposals (Bond and Fleisher 1990, p. 90-91; Edwards 1989, p. 41; Morehouse 1973, p. 67, 1996, p. 369, 1998, p. 219-20). Governors also desire legislative success not only because it is a prerequisite for attaining policy goals, but also because it provides a means to build an historical legacy. Governors are judged by the media, other politicians, and the public according to their accomplishments in the legislature. A governor who has consistently failed in the legislative arena may be judged as a failure (Bernick and Wiggins 1991, p. 73-74; Rosenthal 1990, p. 40-41). As a result, governors may sometimes be willing to compromise on the specific content of a proposal in order to avoid complete legislative failure.

The existence of multiple gubernatorial goals creates the opportunity for goal conflict as electoral, historical, and policy goals may sometimes be incompatible with each other. For example, Light (1999) suggests that a focus on reelection may interfere

with a president's goal of historical achievement if it causes him to dodge important, but controversial, issues. Similarly, pursuing policy goals through proposals calling for extensive policy changes may create controversy that hinders his reelection (p. 78). When faced with goal conflicts such as these, governors are forced to decide which goals are most important. These decisions require them to make tradeoffs based on the expected costs and benefits associated with the pursuit of each goal.

Selecting Agenda Issues

A chief executive must limit the number of issues that he places on his legislative agenda because the resources he has to promote them within the legislature are finite (Bond and Fleisher 1990, p. 32; Edwards 1989, p. 201-2; Light 1999, p. 52-53). A governor cannot include every possible issue on his legislative agenda. As a result, he must have criteria for selecting which issues to include on an agenda. A governor will include a particular issue on his legislative agenda only if it meets two conditions. First, the governor must expect that including an issue on his legislative agenda will provide greater net benefits than would be provided by excluding the issue from the agenda. Second, the governor must expect that including the issue on his legislative agenda will provide greater net benefits than would be provided by including any other issue that is not already on the agenda. Light (1999) contends that policies provide benefits to a chief executive to the extent that they aid him in attaining his goals (p. 64). Consequently, for an issue to make it onto a governor's legislative agenda, it must at a minimum provide him with an opportunity to achieve one or more of his goals.

Placing economic development on his legislative agenda may aid a governor in pursuing his electoral goals under certain conditions. Because governors are held accountable for the economic performance of their states, unfavorable economic conditions in a state can lead to a decrease in a governor's public approval rating and harm his chances of reelection (Atkeson and Partin 1995, p. 104; Hansen 1999, p. 177-78; Niemi, Stanley, and Vogel 1995, p. 948-49; Partin 1995, p. 88). As a result, a governor will be motivated to place economic development on his legislative agenda during times when the state is experiencing unsatisfactory economic conditions such as high unemployment, declining or stagnant income levels, or low rates of business formation. By including economic development as an issue on his legislative agenda, the governor can demonstrate his concern about the condition of the state's economy and claim credit for taking action to remedy the adverse conditions.

Making economic development policy a legislative priority can set the stage for later credit claiming that may assist a governor in his pursuit of historical achievement. If a governor's economic development proposals are enacted by the legislature, a subsequent decision by a firm to locate in his state will provide him with an opportunity to take credit for the benefits of the firm's decision (Dewar 1998, p. 74). Even in the absence of a specific favorable event such as the recruitment of a new firm, enactment of the governor's economic development proposal will provide him with a credit claiming opportunity if the enactment is followed by a general improvement in the state's economic conditions.

Finally, placing economic development issues on his legislative agenda provides a governor with opportunities to pursue specific policy goals. In some cases, a governor's policy goals may be focused on solving important problems in the state (Beyle 2004, p. 219). For example, some economic development scholars suggest that capital markets in some regions of the country provide insufficient venture capital, leading to a low rate of business creation and expansion (Barkley, Markley, and Rubin 2001, p. 350; Eisinger 1988, p. 242). If a governor has identified inadequate venture capital as a problem, then he might attempt to rectify the situation by selecting economic development as an issue for his legislative agenda and proposing the creation of a state-funded venture capital fund.

In other cases, however, a governor may choose policy goals that serve his personal political goals more than the public interest. For example, a governor may desire a reduction in business taxes for reasons other than the anticipated effect of a tax reduction on the state's economy. He may propose the tax cut either because it fits his political ideology or because it is desired by important members of his electoral coalition. By making economic development an agenda issue, a governor can create an opportunity to propose his preferred policies.

Formulating Policy Proposals

After a governor has placed an issue on his legislative agenda, he must formulate one or more policy proposals to address it. A governor's ideology, experience, or knowledge about a policy domain may predispose him to favor certain types of policies over others. When formulating policy proposals, however, the governor is often

constrained by his political and economic environment. The partisan and ideological balance within the legislature and the governor's support among the public determine the general level of legislative support the governor can expect to receive for his proposals. The level of support he receives, however, will also depend on the specific policies that he proposes and whether legislators and the public view those policies favorably. Consequently, a governor may consider the policy preferences of the legislature and the public in addition to his own preferences when formulating policy proposals.

Light (1999) has examined the policy formulation process within the context of the presidency. He contends that presidents and their staff members initially evaluate presidential proposals according to their potential for congressional passage, which Light terms "legislative expense" (Light 1999, p. 110). For example, proposals with large budgetary costs, those that call for extensive changes to existing policies, and those that create new programs are likely to be controversial. Such proposals are, therefore, likely to be more costly in terms of the resources a chief executive must expend to get them enacted than proposals for small or inexpensive modifications to existing programs. The great legislative expense attached to some policies does not mean, however, that a chief executive will necessarily avoid them in favor of those that can be obtained at a lower cost. A chief executive must weigh the political costs associated with a proposal against the political benefits it provides. If the potential benefits are great, then a chief executive will be willing to expend a large quantity of resources to have it enacted (Light 1999, p. 110-11). The legislative expense associated with a proposal depends, in part, on choices made by a chief executive when he is formulating it.

When formulating his economic development policy proposals, a governor first has to decide whether to propose traditional or entrepreneurial economic development policies. Traditional economic development policies attempt to stimulate economic growth by lowering the cost of doing business in a state in order to attract mobile business establishments that employ many workers (Eisinger 1988, p. 129; Fosler 1992, p. 3; Gray and Lowery 1990, p. 4; Isserman 1994, p. 66-72; Leicht and Jenkins 1994, p. 256; Peretz 1986, p. 624; Tietz 1994, p. 101). These policies reduce the cost of business investment or operation by providing specific tax or financial incentives and by maintaining generally low business tax rates, relatively lax environmental regulations, and business-friendly labor regulations (Brace 2002, p. 164; Eisinger 1988, p. 130; Fosler 1992, p. 4; Isserman 1994, p. 69; Leicht and Jenkins 1994, p. 257; Saiz 2001a, p. 204; Spindler and Forrester 1993, p. 30).

Entrepreneurial policies are intended to stimulate the creation and expansion of local firms, rather than merely attracting businesses from other locations. These policies include providing venture capital to aid new businesses, promoting products of local firms in foreign markets, and supporting the research and development of technology that can be commercialized by local businesses (Brace 2002, p. 164-65; Bradshaw and Blakely 1999, p. 229-30; Eisinger 1988, p. 240, 1990, p. 513; Gray and Lowery 1990, p. 4; Isserman 1994, p. 73-78; Lowery and Gray 1992, p. 484-85; Tietz 1994, p. 102-3).

A governor is not limited to choosing only traditional or entrepreneurial policies when formulating his economic development proposals. In many cases it may be advantageous for him to propose a combination of both types of policies since they are

supported by different segments of the legislature and the electorate. For this reason, a governor may be able to broaden his base of support by including proposals of both types on his legislative agenda. In addition, there may be instances when both policy types are needed to improve a state's economic conditions. A governor who believes that solving his state's economic problems requires both recruiting additional firms from other states and stimulating the creation of new firms within his state will want to recommend policies of both types.

After a governor has decided whether to propose traditional or entrepreneurial economic development policies or policies of both types, he must decide how many specific policy changes he will propose. Proposing a large number of policy changes may offer a governor more potential benefits than proposing a more limited program. For example, if the economic problems facing a state are severe, then a governor may be expected to propose an extensive economic development program including many different policy changes. If he proposes only a small number of policy changes, he may risk being viewed by the public as not taking the state's problems seriously.

On the other hand, proposing a long list of policy changes may also increase the potential costs to a governor. The space on a legislature's formal agenda is limited and it can only address a limited number of issues (Cobb and Elder 1983, p. 85-89). A governor's resources are also finite and it may be difficult for him to effectively promote many different policy proposals simultaneously (Ferguson 2003, p. 161). A governor who proposes a large number of policy changes may risk being viewed as a failure if he is unsuccessful in having many of them enacted by the legislature.

Constraints on Gubernatorial Policy Formulation

Although governors want to formulate policy proposals that will help them achieve their goals, they may face constraints that limit their ability to propose the policies they prefer the most. In my theoretical framework, the governor may be constrained in formulating policy proposals by the partisan composition of the legislature, the policy preferences of the state's citizens, the state's available budgetary resources, and the pressure to compete with other states for business investment.

Because a governor can expect to receive less support from the opposition than from the legislators in his own party, his choice of policies may be constrained by an unfavorable partisan balance within the legislature. The greater the legislative strength of the opposition, the more a governor may be required to compromise on his policy choices. His need to compromise should be greatest under conditions of divided government when the opposition party controls both chambers of the legislature. One way in which a governor may compromise with the opposition party is to reduce his own policy demands by proposing fewer policies that the opposition is likely to oppose. He may also compromise by including among his proposals some policies that are preferred by the opposition party. In either case a governor's choices are constrained because he must take the opposition party's preferences into account.

A governor's policy choices may also be constrained by the policy preferences of the state's citizens. Conservative and liberal citizens often prefer different policies. Politicians that support policies in accord with prevailing citizen preferences can expect more public support than those who propose policies that are contrary to most citizens'

preferences. Consequently, governors whose policy preferences are in conflict with citizen preferences are likely to modify their policy proposals to bring them into closer accord with public sentiment. A governor who refuses to modify his proposals in this way risks legislative failure because most legislators will be reluctant to enact policies that have little public support. He also risks a decline in public support that may harm his future electoral prospects.

A state's budgetary situation may also impose constraints on the governor's policy choices. Many policies require the expenditure of state funds during their implementation. During times of fiscal stress, when a state's revenues are stagnant or declining, there may be insufficient funds available to fund all of the policies that a governor might prefer. Consequently, a governor may recommend fewer policy changes when state revenues are growing slowly than when the state is enjoying rapid revenue growth.

A governor may also be constrained by the need to compete with other states for business investments. This competition may compel him to propose policies that are similar to those enacted in other states. A governor is likely to emulate other states' policies when formulating his own policy proposals for three reasons. First, governors may use emulation as a decision making shortcut to simplify complex decisions. When searching for new policies, a governor may choose to propose policies that have been adopted in other states, rather than starting from scratch (Walker 1969, p. 889). This procedure reduces the cost of designing a new program.

Second, a governor may propose policies similar to those of other states as a means of avoiding blame for poor economic performance in his own state (Spindler and Forrester 1994, p. 41-42). Citizens use information that they have about other states' policies as a benchmark to measure the performance of their elected officials (Breton 1991, p. 40; Kenyon 1997, p. 14; Walker 1969, p. 890). If the economic performance of another state exceeds that of a governor's own state and the other state has enacted policies that the governor's state lacks, then these policies may be perceived by voters as the reason for the other state's superior economic performance. If the governor has ignored these policies when formulating his economic development proposals, then he may be blamed for his state's poor economic performance. As a result, governors are likely to adopt policies similar to those of states that voters are likely to use as a benchmark in evaluating the governor's performance.

Finally, public officials want to avoid blame for losing a competition with other states when a business firm is choosing a location for a major new facility. States that are not selected are viewed as losers even though they are no worse off economically than before the competition. When a state loses a plant location competition, its elected officials may be blamed for failure if the winning state had an economic policy that the losing state lacked. Consequently, a governor may copy the policies of states that he views as competitors to avoid being blamed for having the wrong policies in place (Noto 1991, p. 254).

Hypotheses

My theoretical framework allows me to generate a number of testable hypotheses regarding the formulation of gubernatorial legislative proposals with respect to economic development policy. In my theory, governors' policy goals provide a starting point for developing their legislative proposals. Their own policy preferences determine the type and extent of policy changes that they desire, but they recognize that the state's economic conditions, legislature, and voters often impose constraints on their ability to achieve the full extent of their policy goals. As a result of these constraints, they will often be willing to reduce their own policy demands or accommodate the preferences of other political actors in order to achieve at least a portion of their own policy goals. Governors, however, will not always be willing to compromise on policy goals. In some cases, they may decide that they can exploit their personal or institutional powers to overcome the constraints imposed on them.

Placing Economic Development on the Governor's Legislative Agenda

A governor's first decision with regard to economic development policy is whether to include it on his legislative agenda. He may sometimes choose not to propose any economic development policies because other policy issues have a higher priority. A governor has limited time and staff resources to devote to promoting issues within the legislature. The legislature must limit the number of issues that are addressed within a given legislative session because legislative resources are also limited. These limitations on agenda size mean that every issue placed on a governor's legislative agenda has an opportunity cost in terms of the legislative and gubernatorial resources that are diverted

away from issues that are left off the agenda. A governor can make efficient use of his resources by focusing on issues that are salient among the voters. Paying attention to these issues not only increases his probability of electoral success, but may also aid him in achieving his policy goals because legislators also place a high priority on issues which are important to a large number of voters (Beyle 2004, p. 219; Cobb and Elder 1983, p. 85-89; Light 1999, p. 53-55; Walker 1977, p. 424-26).

A state's economic performance is a salient issue in the public's evaluation of the governor. Howell and Vanderleeuw (1990) find that voters who hold a favorable opinion of the state's economy are more likely to approve of the governor's job performance (p. 163-64). Similarly, Hansen (1999) finds that governors of states experiencing high unemployment have higher disapproval ratings than governors of states with low unemployment (p. 177-78). A state's economic performance also affects the governor's electoral prospects because voters are less likely to vote for an incumbent governor if the state is experiencing poor economic conditions (Atkeson and Partin 1995, p. 104; Niemi, Stanley, and Vogel 1995, p. 949; Partin 1995, p. 88).

Because voters hold a governor accountable for the state's economic performance, the benefits of addressing economic development issues are likely to outweigh their costs during times of economic distress. If the governor fails to make proposals to improve the state's economy when it is performing poorly, then voters might blame him for the poor economic conditions. Low approval ratings resulting from poor economic conditions may not only hurt the governor's electoral prospects, but may also reduce the support he receives in the legislature for his legislative proposals. When the

state is in a good economic condition, on the other hand, a governor may gain more benefits by spending his time and other resources on other policy areas such as education, crime, or health care. In this situation, a governor will be likely to devote his attention and other resources to policy areas other than economic development policy. This discussion of the relationship between economic conditions and gubernatorial policymaking leads to my first hypothesis:

Hypothesis 1: A governor will be more likely to include economic development proposals on his legislative agenda when the economic conditions in a state are poor, than when conditions are good.

After a governor has decided to include economic development as an issue on his legislative agenda, he must decide whether to propose many economic development policy changes or only a few. A governor who proposes three economic development policies is devoting more space on his legislative agenda to economic development than one who makes only a single proposal. Enacting each legislative proposal will require the expenditure of a portion of the governor's limited legislative resources. By recommending multiple policy proposals addressing a single issue, a governor is committing a relatively large portion of his legislative resources to that issue. This commitment of resources to a single issue emphasizes the importance a governor places on this issue relative to others he could be addressing.

It may not always be advantageous for a governor to make multiple proposals that address a single issue because promoting each proposal requires an expenditure of gubernatorial resources. Because gubernatorial resources are finite, each proposal that addresses a particular issue has an opportunity cost in resources that are no longer

available to promote proposals addressing other problems. The opportunity costs of including an additional economic development proposal on a governor's agenda will be less when a state is experiencing economic distress than when conditions are more favorable. Therefore:

Hypothesis 2: A governor will include a greater number of economic development proposals on his legislative agenda when economic conditions in a state are poor, than when conditions are good.

Once a governor has made his initial decision about whether to include economic development as an issue on his legislative agenda and decided how much agenda space to devote to it, he must decide what types of economic development programs to propose. Although his initial agenda decisions are guided by the economic conditions in his state, his choices regarding policy types are guided by other factors.

A Governor's Economic Development Policy Preferences

After a governor has decided to include economic development as an issue on his legislative agenda, he must decide on his policy orientation. Will he propose traditional economic development policies, entrepreneurial policies, or policies of both types? A governor's preferences are likely to be related to his party affiliation. Boeckelman (1996) finds that Republican governors are more likely to advocate traditional economic development policies than Democratic governors because these policies provide aid to existing businesses, which are often important Republican supporters. He also finds that Democratic governors have a greater preference for entrepreneurial policies than Republican governors because Democrats are more comfortable with the direct government intervention in the economy required by these policies (p. 347). Beamer

(1999) finds that economic development policy preferences of state legislators follow the same party-related pattern (p. 82-83). Even if a governor's personal preferences deviate from the prevailing policy preferences within his party, he is still likely to recommend policies that conform to the preferences of other members of his political party.

Disregarding the preferences of his fellow party members is likely to cost a governor the support of legislators and electoral supporters within his party. This discussion of party-related policy preferences leads to my next two hypotheses:

Hypothesis 3: Republican governors will be more likely to include traditional economic development proposals on their legislative agendas than Democratic governors.

Hypothesis 4: Democratic governors will be more likely to include entrepreneurial economic development proposals on their legislative agendas than Republican governors.

After a governor has decided to recommend a particular type of economic development policy, he must decide how many proposals of that type to recommend. Because Republican governors are likely to have a greater preference for traditional economic development policies than Democratic governors, I expect that they will propose a greater number of traditional policies than Democratic governors. I expect Democratic governors, on the other hand, to recommend a greater number of entrepreneurial economic development policies than Republican governors.

Therefore:

Hypothesis 5: Republican governors will include a greater number of traditional economic development proposals on their legislative agendas than Democratic governors.

Hypothesis 6: Democratic governors will include a greater number of entrepreneurial economic development proposals on their legislative agendas than Republican governors.

Although a governor's party affiliation may determine his economic development policy preferences, his choices about the specific proposals to include in his legislative program may be constrained by the economic, political, and social environments in which he operates. These constraints on gubernatorial policy choices are discussed next.

Constraints on Gubernatorial Policy Choices

Many economic development policies, such as the creation of a state-funded venture capital fund, require the appropriation of funds to implement a program. Other economic development policies, such as the creation of a new business tax incentive, are paid for by means of tax expenditures, which are reductions in future tax revenues. Consequently, a state's financial condition may impose constraints on a governor's economic development policy choices. When a state's revenues are flat or decreasing, the governor may propose relatively few new economic development policies. The need to minimize cuts to existing programs may make it difficult to justify appropriating funds for a new program or reducing future revenues by creating new tax credits or deductions. When a state's revenues are growing, on the other hand, a governor may have sufficient revenues available to fund both existing and new programs. In this situation, a governor will likely find it much easier to justify proposals that create or expand economic development programs. This discussion of the effect of budget constraints leads to my next hypothesis:

Hypothesis 7: Governors will include a greater number of economic development proposals on their legislative agendas when state revenues are increasing, than when revenues are flat or decreasing.

When formulating his economic development proposals, a governor may be constrained by the policy preferences of the state's citizens. One measure of citizen preferences is state citizen ideology. Erikson, Wright, and McIver (1993) find that states in which more citizens are liberal tend to have policies that are more liberal (p. 89). This relationship between citizen ideology and state policies occurs for two reasons. First, important policymakers, such as the governor, are drawn from the population at large, so that states with many liberal citizens are likely to produce liberal policymakers (Erikson, Wright, and McIver 1993, p. 119). Second, citizens are unlikely to support politicians that favor policies that are contrary their preferences. As a result, even conservative politicians will be motivated to support liberal policies if a large portion of the electorate is liberal because they want to avoid losing the next election (Erikson, Wright, and McIver 1993, p. 138).

Conservatives and liberals are likely to prefer different types of economic development policies. Traditional economic development policies are more acceptable to conservatives than entrepreneurial policies because they involve a different type of government intervention in the economy. Traditional policies focus on reducing business costs by easing tax and regulatory burdens and leave responsibility for most business investment and location decisions to the private sector (Eisinger 1988, p. 78). Entrepreneurial policies, on the other hand, require state governments to assume a larger role in identifying investment opportunities and making business investment decisions

(Eisinger 1988, p. 9). Consequently, these policies are likely to be more attractive to liberals than conservatives. Variation in citizen ideology across states will lead to differences in public support for particular economic development policies. I expect that governors will respond to these public preferences when formulating their legislative agendas. Specifically:

Hypothesis 8: Governors of states with low levels of citizen liberalism will include a greater number of traditional economic development proposals on their legislative agendas than governors of states with high levels of citizen liberalism.

Hypothesis 9: Governors of states with high levels of citizen liberalism will include a greater number of entrepreneurial economic development proposals on their legislative agendas than governors of states with low levels of citizen liberalism.

Longstanding traditions within a state about what constitutes proper governmental action may constrain a governor's choices when formulating policy proposals. Elazar (1984) refers to these traditions as a state's political culture (p. 114-15). The general political culture of the United States is based on two contrasting conceptions of the American political order. The first conception is of the political order as a marketplace in which public policies are a product of bargaining among individuals and groups acting in self-interest. The second conception is one in which public policies are viewed as the result of cooperation by citizens trying to create and maintain a government to implement widely shared principles (Elazar 1984, p. 112-15). One of the primary distinctions between the political cultures of individual states is the extent to which they emphasize these two conceptions of politics.

Elazar (1984) identifies three state political cultures within the United States: individualistic, moralistic, and traditionalistic (p. 115). Individualistic political cultures

emphasize the conception of politics as a marketplace over the conception of politics as a commonwealth. Because individual economic opportunity, rather than the common good, is of central importance in individualistic cultures, government intervention in the economy is limited to the minimum level of intervention required to maintain its proper working order (Elazar 1984, p. 115).

Moralistic political cultures, on the other hand, emphasize the conception of politics as a means to promote the public good over the conception of politics as a marketplace. Because politics is viewed as a way to advance widely shared public interests, rather than more narrow private interests, there is a greater acceptance within moralistic cultures of government intervention in the economy (Elazar 1984, p. 117).

In traditionalistic political cultures, there is not a clear preference for either conception of politics. For example, there is less focus on promoting widespread individual economic opportunity in traditionalistic than in individualistic states. These states also focus less on promoting the wider public good than the moralistic states. In traditionalistic states, what is in the public good is determined from the viewpoint of established political elites and politics is viewed as a means of preserving the existing social order. Consequently, government intervention will tend to be limited to policies that preserve the power of those at the top of the social order (Elazar 1984, p. 118-19).

These differences across political cultures lead two scholars to suggest that a state's political culture will influence the type of economic development policies favored by its political leaders (Hanson 1991, p. 64; Boeckelman 1991, p. 50). They suggest that traditional policies will receive more support within individualistic and traditionalistic

political cultures than within moralistic cultures (Hanson 1991, p. 65-66; Boeckelman 1991, p. 51-52). Entrepreneurial policies, on the other hand, will be more widely supported within moralistic political cultures than within individualistic or traditionalistic cultures (Hanson 1991, p. 64-65; Boeckelman 1991, p. 51). This discussion of differences in political cultures leads to my next two hypotheses:

Hypothesis 10: Governors of states with individualistic or traditionalistic political cultures will include a greater number of traditional economic development proposals on their legislative agendas than governors of states with moralistic political cultures.

Hypothesis 11: Governors of states with moralistic political cultures will include a greater number of entrepreneurial economic development proposals on their legislative agendas than governors of states with individualistic or traditionalistic political cultures.

Because governors need action by the legislature to enact their proposals into law, their policy choices may be constrained by the partisan balance within the legislature. Legislators have electoral and policy goals of their own and a governor's legislative success often depends on the number of legislative seats held by members of his party. A governor can expect greater support for his proposals as the size of his partisan faction in the legislature increases, because his party members are likely to share his policy preferences and are also motivated to see him succeed (Beyle 2004, p. 221; Bond and Fleisher 1990, p. 90-91 and 113-15; Edwards 1989, p. 40-41; Morehouse 1973, p. 67, 1998, p. 219-20; Rosenthal 1990, p. 55).

A governor's prospects for legislative success are likely to be the greatest when his party members control the legislature. During unified government, not only does the governor's party hold a majority of the seats in each legislative chamber, but his party

members also hold the most important leadership positions, such as the presiding officer of each chamber and the chairs of key committees. As a result, policies preferred by the governor and his party are likely to be well received within the legislature and will require relatively little lobbying effort by the governor and his staff to get them enacted. For these reasons, I expect that a governor will recommend a greater number of economic development policies of the type preferred by his party members when his party controls the legislature. This discussion of unified government suggests two additional hypotheses:

Hypothesis 12: A Republican governor will include a greater number of traditional economic development proposals on his legislative agenda during periods of unified government than during periods of divided government.

Hypothesis 13: A Democratic governor will include a greater number of entrepreneurial economic development proposals on his legislative agenda during periods of unified government than during periods of divided government.

During divided government, however, a governor can expect a lower level of legislative success. Legislators of the opposition party are unlikely to share a governor's policy preferences and they probably will not be particularly motivated to see him succeed. When the opposition party controls the legislature, then proposals to implement policies preferred by the governor and his party will receive relatively little support and will require a greater lobbying effort by the governor. As a result, a governor may need to accommodate opposition party members by including in his recommendations one or more policy proposals that are compatible with the policy preferences of the legislative majority (Morehouse 1996, p. 362, 1998, p. 220). For example, a Democratic governor who proposes creating a state-funded venture capital fund may also propose expanding an

existing traditional economic development program as a way to obtain support from Republican legislators. By including policies of both types, a governor broadens the appeal of his entire economic development program. This discussion of divided government leads to two more hypotheses:

Hypothesis 14: A Republican governor will include a greater number of entrepreneurial economic development proposals on his legislative agenda during periods of divided government than during periods of unified government.

Hypothesis 15: A Democratic governor will include a greater number of traditional economic development proposals on his legislative agenda during periods of divided government than during periods of unified government.

In my first fifteen hypotheses, the factors influencing gubernatorial economic development policy proposals have all been associated with the political, economic, and social environments of a governor's own state. It is also possible, however, that gubernatorial policy proposals may be influenced by characteristics of the broader political, economic, and social environments that include other states.

Effects of Policy Diffusion and Interstate Competition on Policy Choices

State policy diffusion models assume that policy decisions of individual states are based, in part, on the policies enacted in other states (Berry and Berry 1999, p. 171).

There are three reasons that policy diffusion may lead a governor to emulate other states' policies when formulating his own policy proposals. First, a governor may copy another state's policies to avoid the need to design a program from scratch (Walker 1969, p. 889).

Second, he may emulate another state's policies to avoid being blamed if his state's economic performance lags that of the other state (Breton 1991, p. 40; Kenyon 1997, p.

14; Spindler and Forrester 1993, p. 41-42; and Walker 1969, p. 890). Third, a governor

may copy the policies of states that he views as his state's competitors for attracting mobile business firms. Copying these states' policies will help him to avoid blame in the event that a major business firm locates in one of the competing states (Noto 1991, p. 254).

Several researchers contend that interjurisdictional competition between states is a major cause of the diffusion of economic development policies from one state to another (Brace 2002, p. 173-74; Feiock 1989, p. 269; Grady 1987, p. 91-92; Peretz 1986, p. 625, 630; Saiz 2001a, p. 209-10; Spindler and Forrester 1993, p. 32). Interjurisdictional competition is likely to occur in countries with a large number of separate jurisdictions possessing both fiscal responsibility and policy autonomy, which is precisely the situation that exists in the American federal system (Boyne 1996, p. 718-19). At the local level, one prominent theory holds that communities compete with each other by adjusting their mix of public services and their tax levels in an attempt to attract new residents (Tiebout 1956, p. 419-420). Kenyon (1997) observes that states engage in a similar type of competition as they adjust their economic development policies in an attempt to attract and retain business firms (p. 14).

States enact traditional economic development policies to create lower-cost business climates. Traditional policies are intended to ease the tax or regulatory burdens on businesses, provide direct financial assistance in the form of loans or financial subsidies, or subsidize other business expenses, such as those for worker training (Eisinger 1988, p. 130). Proponents of traditional policies contend that by lowering the

cost of doing business in a state, these policies will make the state an attractive location for businesses seeking to expand or relocate their facilities (Lynch 2004, p. 4 and 11).

States with low-cost business climates are already in a good position to compete for businesses seeking a low-cost operating environment. Enacting traditional policies to further lower the cost of doing business is likely to provide relatively few benefits for these states. In high-cost states, on the other hand, enacting traditional economic development policies may greatly improve their ability to compete for these businesses. This discussion suggests that a governor will consider his state's current business climate when making decisions about traditional economic development proposals and it leads to the following hypothesis:

Hypothesis 16: Governors of states with high-cost business climates will include a greater number of traditional economic development policies on their legislative agendas than governors of states with low-cost business climates.

Interjurisdictional competition may also contribute to the diffusion of entrepreneurial economic development policies. Entrepreneurial policies provide resources that foster the creation or expansion of local firms. These resources include venture capital to aid the formation of new businesses, export marketing assistance to help businesses sell their products in the international market, and research and development of new technology that can be commercialized by local firms or that will assist them in adopting more efficient production methods (Eisinger 1988, p. 240).

Entrepreneurial resources are frequently provided by private firms, rather than state governments. For example, there are private investors who specialize in lending venture capital to entrepreneurs who wish to start a new business and many business

firms conduct their own export marketing or engage in their own research and development activities. Entrepreneurial resources, however, are not distributed equally among all states. For example, venture capital investment tends to be concentrated in the more densely populated metropolitan areas, rather than in more sparsely populated rural areas (Barkley, Markley, and Rubin 2001, p. 350).

States that already have an abundance of entrepreneurial resources, whether they are provided by private markets or by the state, may have relatively little to gain by enacting policies that provide additional entrepreneurial resources. States in which these resources are scarce, however, may stand to gain more from enacting these policies. Consequently, governors of these states may be motivated to propose policies to provide more of these resources so that they can catch up with other states. Therefore, my seventeenth hypothesis is:

Hypothesis 17: Governors of states with few entrepreneurial resources will include a greater number of entrepreneurial economic development policies on their legislative agendas than governors of states with abundant entrepreneurial resources.

When comparing his own state's business climate and entrepreneurial resources to those of other states, a governor may pay particular attention to states that share a border with his state. There are three reasons that a governor might undertake this strategy. First, firm location decisions are not determined solely by a state's economic development policies. Other important factors include the cost and availability of labor and raw materials and adequate access to transportation facilities. The first stage of a location decision is the identification of the region of the country that provides the best access to these other factors (Eisinger 1988, p. 202). Once a region is selected, a firm begins

narrowing the selection to a short list of the most promising locations within the region (Eisinger 1988, p. 203). As a result of this process, neighboring states are likely to be direct competitors for business firms seeking a new location. Second, there is empirical evidence that citizens use neighboring states as benchmarks in evaluating governors with respect to both tax policy and their state's economic performance (Besley and Case 1995, p. 36 and Niemi, Stanley, and Vogel 1995, p. 949). Finally, elected officials are likely to be more aware of policy decisions made in neighboring states than in other regions. Television and newspaper coverage areas often span state boundaries and a single station or newspaper will often report on politics and public policy in two adjoining states. This dual coverage will cause elected officials in one state to be aware of the policies in effect in adjoining states. This discussion leads to two hypotheses related to the influence of neighboring states' business climates and entrepreneurial resources:

Hypothesis 18: Governors of states with higher-cost business climates than their neighboring states will include a greater number of traditional economic development policies on their legislative agendas than governors of states with lower-cost business climates.

Hypothesis 19: Governors of states with fewer entrepreneurial resources than their neighboring states will include a greater number of entrepreneurial economic development policies on their legislative agendas than governors of states with more entrepreneurial resources.

In an earlier discussion in this chapter, I suggested that a governor may sometimes need to modify his proposals to make them more compatible with the policy preferences of other political actors, such as legislators or voters. In some situations, however, a governor may be able to overcome these political constraints without accommodating the preferences of others by exploiting his institutional or personal powers.

Overcoming Political Constraints by Using Gubernatorial Powers

Earlier, I hypothesized that a governor would modify his policy proposals during periods of divided government. I suggested that he might make his legislative program more acceptable to the opposition party by including policies that are favored by members of the majority party. When the opposition holds a majority of only a few seats, however, the governor may have another strategy available that will enable him to enact his preferred policies without accommodating the preferences of the opposition party.

A governor's institutional powers such as his ability to make appointments, veto legislation, and influence the budget provide him with resources that can be used to reward legislators who support him and punish those who oppose him. Although these powers may not provide him with enough political capital to change a large number of votes, they may allow him to persuade a few legislators to change their votes. If the number of seats held by the opposition is only slightly greater than the number held by the governor's party, then a governor may need to change only a few opposition votes in order to build a majority coalition in support of his proposals. In this situation, rather than accommodating the policy preferences of the opposition party, the governor can propose policies that are favored by his own party members and then use his institutional powers to convince a few opposition members to vote in favor of his proposals. Because the institutional powers of governors vary across states, some governors will have more resources available to use this strategy than others. Therefore:

Hypothesis 20: During periods of divided government when there is a small difference in the number of seats held by the majority and minority parties, Republican governors with strong institutional powers will include a greater

number of traditional economic development policies on their legislative agendas than Republican governors with weak institutional powers.

Hypothesis 21: During periods of divided government when there is a small difference in the number of seats held by the majority and minority parties, Democratic governors with strong institutional powers will include a greater number of entrepreneurial economic development policies on their legislative agendas than Democratic governors with weak institutional powers.

I do not expect that this strategy is likely to be successful when a governor must change a large number of opposition votes to build a majority coalition. First, a governor's bargaining resources are finite, which limits the number of political deals he can make with individual legislators. Second, conflicting demands made by legislators may make it difficult for a governor to make a large number of these political bargains. For example, a governor may promise to support a piece of legislation favored by a particular legislator in return for the legislator's support for the governor's proposal. Another legislator, however, may ask the governor to oppose the same piece of legislation in return for his support of the governor's proposal. Because the governor cannot honor both requests, the earlier agreement prevents the governor from successfully negotiating the later agreement. The more agreements a governor has already negotiated, the more likely he is to run into conflicts of this sort when trying to negotiate additional agreements. For these reasons, I do not expect governors to attempt this strategy when the opposition party holds a large majority:

Hypothesis 22: During periods of divided government when there is a large difference in the number of seats held by the majority and minority parties, the strength of Republican governors' institutional powers will have no effect on the number of traditional economic development policies they include on their legislative agendas.

Hypothesis 23: During periods of divided government when there is a large difference in the number of seats held by the majority and minority parties, the strength of Democratic governors' institutional powers will have no effect on the number of entrepreneurial economic development policies they include on their legislative agendas.

A governor's personal powers, such as a claim to an electoral mandate, may provide him with additional resources for overcoming political constraints. Scholars have suggested that both presidents and governors enjoy a honeymoon period during their first year in office in which they can expect greater legislative and popular support for their proposals (Ferguson 2003, p. 160-61; Light 1999, p. 45). A chief executive can expect to receive even greater support for his proposals during this period if the conditions of his election allow him to claim a mandate (Edwards 1989, p. 147).

Winning an election by a large margin lends credibility to a chief executive's claim of an electoral mandate. A large electoral victory by itself, however, may be insufficient to allow an executive to claim a mandate. A chief executive's ability to credibly claim a mandate is enhanced if his victory is accompanied by additional conditions such as the defeat of an incumbent, a large increase in the number of legislative seats held by his party or a shift in control of one or both legislative chambers from the opposition to his own party (Edwards 1989, p. 150-61). Consequently, a recently elected governor who meets several of these conditions has a greater ability to claim an electoral mandate than one who meets few or none of these conditions.

During the legislative session immediately following a gubernatorial election, governors who have a significant ability to claim a mandate possess more political capital and personal power than those who have little ability. This additional political capital

provides governors with additional resources for overcoming legislative resistance to their proposals. I expect that being able to claim a mandate will allow a governor to propose a larger number of his preferred policies than he could without a mandate. This discussion of the factors contributing to a governor's ability to claim an electoral mandate leads to two more hypotheses:

Hypothesis 24: Recently elected Republican governors will include a greater number of traditional economic development policies on their legislative agendas if they have a significant ability to claim an electoral mandate than if they possess little ability to claim a mandate.

Hypothesis 25: Recently elected Democratic governors will include a greater number of entrepreneurial economic development policies on their legislative agendas if they have a significant ability to claim an electoral mandate than if they possess little ability to claim a mandate.

The beneficial effects of an electoral mandate are unlikely to extend beyond a governor's first year in office. A high public approval rating is another potential source of political capital and one that may be available to a governor throughout his administration. A chief executive's public approval rating provides legislators with a way to estimate the public's acceptance of the chief executive's policy proposals (Edwards 1989, p. 106-7). When a governor enjoys a high public approval rating, even legislators of the opposition party may be reluctant to oppose his policy proposals if they fear that voters will punish them during the next election. Furthermore, offers by a popular governor to campaign on behalf of those who help him are more valuable than offers of campaign support by an unpopular governor. Similarly, a threat to withhold campaign support from an uncooperative legislator, or even to campaign against him, carries little

weight when made by an unpopular governor. As a result, I expect that popular governors will propose more of their own preferred policies than unpopular governors. Therefore:

Hypothesis 26: Republican governors with high public approval ratings will include a greater number of traditional economic development policies on their legislative agendas than Republican governors with low public approval.

Hypothesis 27: Democratic governors with high public approval ratings will include a greater number of entrepreneurial economic development policies on their legislative agendas than Democratic governors with low public approval.

The hypotheses discussed in this chapter will be analyzed beginning in Chapter IV. The next chapter explains the procedures that I used to collect my data concerning gubernatorial economic development proposals to test these hypotheses. Chapter III also discusses the differences between traditional and entrepreneurial economic development policies.

CHAPTER III

CONTENT ANALYZING GUBERNATORIAL ADDRESSES

To test my hypotheses, I require data about governors' legislative agendas with regard to economic development policy. Herzik (1991) identifies three types of data sources that scholars have used to analyze governors' legislative agendas: surveys of governors regarding their policy concerns at particular points in their administrations, gubernatorial campaign literature and speeches, and governors' state of the state and other major legislative addresses (p. 29-30).

Herzik (1991) suggests that campaign literature is an inadequate data source because it may focus on policy issues that appeal the most to voters rather than on the issues that a governor believes are the most important once he takes office (p. 30). Herzik contends that state of the state addresses are the best source of data concerning governors' legislative agendas because they come at the start of a legislative session and contain specific policy proposals (p. 30). Bernick and Wiggins (1991) agree that state of the state addresses are a better source of data than campaign literature. They observe that gubernatorial candidates may address a long list of policy issues during their campaign, but then narrow their focus to a handful of the most important issues facing their state once they take office (p. 75).

Even if a governor's campaign literature and speeches provide accurate information about his agenda at the beginning of his term, changing conditions in the state could cause his policy priorities to change in subsequent years. State of the state addresses, on the other hand, are delivered annually in most states. Governors use these

addresses to announce to the media, the public, and the legislature the policies that they intend to pursue during the upcoming legislative session. Because governors have only a limited amount of time in which to deliver their addresses, they will usually focus on the issues and proposals that are the most important to them (Bernick and Wiggins 1991, p. 75; Ferguson 2003, p. 166-67; Herzik 1991, p. 30; Rosenthal 1990, p. 7 and 26). I obtain data for my study from governors' annual addresses so that I can observe changes in their priorities over time.

Data Collection

The data for my dissertation was collected by content analyzing state of the state and other major legislative addresses delivered by governors of all fifty states during the period from 1997 to 2006. I read and analyzed 462 gubernatorial addresses for this study. I was not able to analyze addresses for the governors of all fifty states in every year of my study because governors of some states did not deliver a major legislative address in some of the years. For example, the state legislatures of Arkansas, Montana, Nevada, North Dakota, Oregon, and Texas meet biennially in odd numbered years. Consequently, the governors of these states do not deliver legislative addresses in even numbered years. The North Carolina legislature meets annually, but in even numbered years the session is held mid-year from May to July (Council of State Governments 1997, 1999, 2001, 2002, 2003, 2004, 2005, 2006). I did not find any addresses delivered by North Carolina governors at the beginning of these mid-year sessions. In 2001, the Kentucky legislature switched from holding biennial sessions in even numbered years to annual sessions. Therefore, there were no addresses by the governor of Kentucky in 1997 or 1999.

Another instance in which there was no gubernatorial address to the legislature occurred in Minnesota in 2000. In this case, Reform Party Governor Jesse Ventura simply chose not to deliver a state of the state address (Ragsdale 2000, p. 2B).

Whenever possible, I gathered data concerning governors' economic development policies by analyzing their state of the state addresses. In some situations, governors did not deliver state of the state addresses in particular years, but delivered other major legislative addresses in which they outlined their legislative agendas. In many of these cases, the governor's major legislative address was a budget address rather than a state of the state address. For example, in Pennsylvania the governor's address at the beginning of the legislative session is commonly referred to as the budget address, even though Pennsylvania governors discuss issues other than budget appropriations in these addresses. In Connecticut, which practices biennial budgeting, the governor's address to open the legislative session is referred to as the budget address during budget years and the state of the state address during other years.

Some newly elected governors did not deliver a state of the state or budget address during their inaugural year. In these cases, I analyzed their inaugural addresses. There were two other cases in which I analyzed an address other than the governor's state of the state address. In Louisiana it is common for the governor to call a special session of the legislature prior to the regular session.¹ In 2002 and 2004, Louisiana governors called special sessions to deal with economic development policy. I considered their

¹ During the period from 1997 to 2006, there are only three years (1997, 1999, and 2003) in which the governor of Louisiana did not call a special session of the legislature prior to the regular session (See Louisiana Legislature Session Information at <http://www.legis.state.la.us/session.htm>).

addresses to open these special sessions to be more comprehensive statements of each governor's economic development agenda than their state of the state addresses.

I obtained the text of gubernatorial addresses from many sources. Three types of official state websites provided a relatively large number of addresses. First, governors maintain official web sites that often contain the text of their major legislative addresses. I used these websites to obtain those addresses delivered by governors who were still serving in office at the time of my study. Second, a few states maintain online archives of speeches and other documents from former governors' administrations, which provided additional sources for acquiring gubernatorial addresses. Third, most state legislatures print the text of gubernatorial addresses to the legislature in their legislative proceedings, which allowed me to obtain the text of some addresses from online legislative archives.

I also obtained the text of gubernatorial addresses from online archives maintained by non-governmental organizations. A large number of the addresses delivered in the years from 2000 forward were obtained from an archive maintained by *Stateline.org*, a web site operated by the Pew Charitable Trust that provides news and information about state politics and policy.² Because major daily newspapers frequently print the text of governors' state of the state addresses, I was able to obtain the text of other gubernatorial addresses by searching newspaper archives in the LexisNexis database. The Internet Archive, a nonprofit organization that was founded to build an Internet library, maintains a searchable archive of website content dating back to the mid-

² The web address of the gubernatorial speech archive is <http://www.stateline.org/live/resources/State+Speeches>.

1990s.³ I was able to locate the text of addresses delivered by several governors who are no longer in office by searching this archive. Finally, I contacted state archives, libraries, and historical societies to obtain those addresses that were unavailable from online sources.

Identifying and Classifying Gubernatorial Economic Development Proposals

Governors propose many different types of policies in their legislative addresses. My first step at analyzing gubernatorial addresses was to identify those policy proposals that were related to economic development. It is common for governors to justify their policy proposals by suggesting that they will have a beneficial effect on their state's economy. In fact, a governor can argue that almost any public policy will have at least an indirect effect on the economic activity within a state (Fisher and Peters 1998, p. 31-32).

Instead of adopting a broad definition of economic development policy based on gubernatorial rhetoric, I adopt a narrower definition that combines the definitions provided by Fisher and Peters (1998) and Eisinger (1988). Fisher and Peters (1998) define economic development policies as those that are primarily intended to promote job creation and economic growth. If a policy could plausibly have some other primary purpose, then it is not an economic development policy (Fisher and Peters 1988, p. 32). Eisinger (1988) defines economic development policy as an effort by government to encourage new business investment in a particular location (p. 3-4). A new business investment is expected to increase the number of jobs in the area, leading to reductions in unemployment and increases in personal income (Eisinger 1988, p. 34-35). Eisinger

³ The archive search page is located at <http://www.archive.org/web/web.php>.

(1988) further observes that this localized business investment and job growth can occur in three different ways: when new business firms are established, when existing firms expand, or when firms move into a state from another location (p. 34-35). I combine Fisher and Peter's (1998) and Eisinger's (1988) definitions to develop my criteria for identifying gubernatorial economic development policies. I define a governor's policy proposal as an economic development policy if it is primarily intended to influence the investment and location decisions made by business firms or entrepreneurs.

My definition excludes some types of policy proposals even though they may reasonably be expected to improve the state's economy. I exclude them because their primary purpose is something other than influencing business investment and location decisions. For example, governors often claim that their education or transportation policy recommendations will improve the state's economic conditions. Although improving the quality of a state's educational services or transportation infrastructure may indeed be beneficial to a state's economy, there are other valid objectives for these proposals that are unrelated to economic development. Improvements in education can be justified on equity grounds and transportation improvements can be justified on safety grounds. Because these policies have primary purposes other than influencing business investment and location decisions, they do not have an explicit economic development objective according to my definition and are, therefore, excluded from my analysis.

I also excluded gubernatorial proposals that could be implemented without any action by the legislature. For example, governors sometimes enact policies by using their authority to issue executive orders or by instructing a cabinet member to take a particular

action. Because my study focuses on the formal legislative process, I exclude these types of unilateral gubernatorial proposals from my analysis.

In some cases, governors recommended several different economic development policies as a single proposal. In these situations, I had to decide whether to count their recommendations as one proposal or several. I made this decision according to whether the individual policies were inseparable. In some cases, the individual elements of a governor's proposal must all be enacted in order to achieve his objective and allow him to claim legislative success. For example, in 2005, Republican Governor Robert Taft of Ohio proposed reforming his state's business taxes by broadening the base of taxable activity while reducing both marginal rates and the overall level of taxation on the state's businesses (Taft 2005). The individual elements of this proposal are inseparable because it is unlikely that he would claim success if the legislature broadened the base without reducing rates, because that action would increase, rather than decrease the level of taxation on businesses. A proposal such as this one would, therefore, be classified as a single proposal.

In other cases, the individual elements of a governor's proposal are separable and enacting only a portion of them would provide the governor with partial legislative success, rather than failure. For example, in 2004, Republican Governor Haley Barbour of Mississippi presented a package of tort reform proposals that included caps on punitive damage awards, restrictions on venue selection, and changes to joint and several liability rules (Barbour 2004). Because the enactment of even one of these policies would advance

his tort reform agenda, I determined the policies to be inseparable and classified them as separate economic development proposals.

After I identified a governor's economic development proposals, I classified each one into one of two categories: traditional policies that are intended to attract mobile businesses from other locations by reducing business costs, or entrepreneurial policies that provide resources intended to stimulate the creation and expansion of local business firms. The next sections describe the criteria that I used to classify gubernatorial economic development policies.

Traditional Economic Development Policies

Traditional economic development policies attempt to influence business location and investment decisions and thereby stimulate economic growth by lowering the cost of doing business in a state. Proponents of traditional policies contend that lowering business costs will attract mobile business establishments that employ many workers to a state and discourage existing firms from leaving the state (Eisinger 1988, p. 129; Fosler 1992, p. 3; Gray and Lowery 1990, p. 4; Isserman 1994, p. 66-72; Leicht and Jenkins 1994, p. 256; Lynch 2004, p. 3-4; Peretz 1986, p. 624; Tietz 1994, p. 101). Traditional economic development policies rely on four methods to reduce the cost of business investment or operation: maintaining low levels of taxation on businesses and business owners, maintaining business-friendly environmental and labor regulations, providing businesses with financial subsidies, and providing businesses with non-financial subsidies (Brace 2002, p. 164; Eisinger 1988, p. 130; Fosler 1992, p. 4; Isserman 1994, p. 69; Leicht and Jenkins 1994, p. 257; Saiz 2001a, p. 204; Spindler and Forrester 1993, p. 30).

I classified a gubernatorial economic development proposal in the traditional category if it used one of these four methods to reduce business costs. I also classified proposals in the traditional category if they contained inseparable elements using two or more of these methods into one policy proposal. Thus, my classification scheme includes five subcategories of traditional economic development policies: tax policies, regulatory reform policies, financial subsidies, non-financial subsidies, and mixed or unspecified incentives. I describe the policies within each subcategory more fully in the subsections below to illustrate the types of policy proposals that are included in the traditional category.

Tax Policies

Traditional economic development tax policies include proposals to create or expand specific tax incentives, to create or expand competitive tax code provisions, and to cut tax rates. Specific tax incentives include such policies as local property tax abatements, investment tax credits, employment tax credits, and research and development tax credits. These incentives reduce the tax liability of firms that comply with certain requirements regarding hiring or investment decisions (Fisher 2007, p. 58).

Competitive tax code provisions are features of the tax code that apply to all businesses but do not impose any investment or hiring requirements on them. These provisions typically reduce firms' tax liability by reducing the taxable base of economic activity rather than by reducing tax rates and they include favorable income apportionment rules, exemptions of certain business property from property taxation, and exemption of utilities or other business inputs from sales taxation (Fisher 2007, p. 58).

Cuts in corporate income tax, franchise tax, and gross receipts tax rates have a clear economic development rationale, as these taxes are levied directly on businesses. Similarly, cuts in workers' compensation fees and unemployment insurance taxes are also intended to stimulate economic growth (Eisinger 1988, p. 168). Governors sometimes argue that these rates must be lowered to remain competitive with other states (Keating 1998; Underwood 1999).

In some cases, politicians extend the economic development rationale to cuts in taxes that are not necessarily levied on business firms, such as personal income taxes, estate taxes, or taxes on capital gains (Fisher 2007, p. 58). They argue that high marginal rates on these taxes discourage entrepreneurs and high-income individuals from locating within a state. This rationale is also used by governors when recommending cuts in taxes that are levied on both business firms and individuals, such as property taxes or sales taxes.

Not all proposals for cuts in personal income, property, or sales taxes, however, are based on an economic development rationale. For example, income tax cuts targeted at low-income individuals, property tax cuts for homeowners or the elderly, and exemptions of groceries from sales taxation are justified by concerns other than economic development.

Finally, governors sometimes frame their proposals for economic development tax cuts in ways that fail to make clear exactly what taxes they propose to cut or how they propose to cut them. For example, governors sometimes propose unspecified tax relief for

broad sectors, such as manufacturing, or they will call on the legislature to enact some package of business tax cuts without providing details within the text of their addresses.

Regulatory Reform Policies

Traditional regulatory economic development policies are intended to reduce the cost of operating a business in a state by reducing the regulatory burden on business firms (Eisinger 1988, p. 165-172). These policies include both broad-based proposals to lessen the regulatory burden on all businesses and more narrowly defined proposals that are targeted at particular industry sectors.

Broad-based regulatory reform proposals include policies that ease environmental and labor regulations and tort reform proposals that limit business firms' exposure to liability lawsuits. Governors also make general proposals to reduce the regulatory burden imposed on businesses without indicating which specific types of regulations they wish to change.

Regulatory proposals targeted at particular industry sectors include proposals to deregulate the electric utility or telecommunications industries, proposals to lower the regulatory burden imposed on insurance companies, and the elimination of restrictions on certain types of medical research.

Financial Subsidies

Financial subsidies include grants, loans, loan guarantees, and loan subsidies that states extend to an existing business firm that locates or expands within the state. These

policies are intended to lower the cost of acquiring land, facilities, or equipment for these business firms (Fisher and Peters 1998, p. 40).

Non-financial Subsidies

Non-financial subsidies lower firms' operating costs by providing them with goods or services. Customized training programs, which are often operated by a state's community colleges, are a commonly provided non-financial subsidy. These programs are intended to lower the workforce preparation costs of a firm that is opening a new facility or expanding an existing one (Fisher and Peters 1998, p. 40). Industrial parks and "spec" building programs are used to provide relocating or expanding business firms with free or reduced-cost land and buildings. These programs not only reduce the cost of facilities for a relocating business firm, but also allow a firm to begin production sooner by providing buildings or building locations with access to necessary utilities and transportation infrastructure (Eisinger 1988, p. 177-79).

Unspecified and Mixed Traditional Incentives

Finally, governors sometimes develop vague proposals to lower business operation costs, enhance their incentive offerings, or increase their states' recruitment efforts without describing the specific policies that would be used to accomplish these objectives. Governors also sometimes propose the creation or expansion of enterprise zone programs, which include a combination of tax incentives, financial subsidies, and other economic development policies. When a governor made one of these types of

unspecific or mixed proposals, I classified it as a traditional economic development proposal.

Entrepreneurial Economic Development Policies

Entrepreneurial economic development policies are intended to stimulate economic growth by encouraging the creation and expansion of local firms, rather than merely inducing mobile firms to locate in a state. Consequently, entrepreneurial policies require state governments to take a more active role in business investment decisions than is required by traditional economic development policies. Traditional policies attempt to induce private investors who have already identified a business opportunity to locate within a particular state to pursue that opportunity. Entrepreneurial policies, on the other hand, require state governments to identify business opportunities and to provide resources to develop those opportunities, rather than relying strictly on private investors (Eisinger 1988, p. 228-29). Entrepreneurial economic development policies provide three types of resources for developing business opportunities: resources to stimulate the creation of new businesses, resources to assist existing businesses to expand the market for their products, and resources to enhance business productivity and innovation. I classified a gubernatorial economic development proposal as an entrepreneurial policy if it provided one of these three types of resources to stimulate business creation or expansion. Thus, my classification scheme includes three subcategories of entrepreneurial economic development policies: business creation policies, market expansion policies, and productivity and innovation policies. I describe the policies

within each of these subcategories more fully in the subsections below to illustrate the types of policy proposals that are included in the entrepreneurial category.

Business Creation Policies

Business creation policies are intended to enhance the ability of entrepreneurs to start a business. State-run venture capital programs assist new businesses by providing financial resources to entrepreneurs during the early stages of a new business (Eisinger 1988, p. 245-6). Business incubators assist new business firms by providing them with low-cost office space and secretarial services instead of capital financing.

Market Expansion Policies

Market expansion policies provide resources to assist business firms in selling their products or services to customers in other states or overseas (Eisinger 1988, p. 293-5). Some state export promotion programs conduct seminars, provide consulting services, and produce handbooks to advise business firms about how to export their products (Eisinger 1988, p. 302-303). Other programs provide financing to businesses to help cover the costs associated with initiating export activities (Eisinger 1988, p. 302-304). These programs can be particularly beneficial for small businesses that may lack the knowledge or financial capability to enter the export market on their own (Eisinger 1988, p. 297). Tourism promotion and agricultural marketing programs are other examples of market expansion policies.

Productivity and Innovation Enhancement Policies

Productivity enhancement policies provide resources to help a state's business firms adopt new production technology and processes in order to increase their productivity and be able to better compete in the global economy. Innovation enhancement policies are intended to foster the development and commercialization of new products that can be produced and marketed by firms within a state.

A state's research universities frequently play important roles in productivity and innovation enhancement programs. First, university research develops technology that can lead to the creation of new products and companies. Second, universities attract and produce the high-skilled workers that are required by technologically advanced companies (State Science and Technology Institute [SSIT] 2006, p. 12).

A variety of policies may be categorized as productivity and innovation programs. Some policies simply provide a university with funds needed to enhance its capacity for conducting research within a particular field, such as biotechnology, information technology, or advanced manufacturing processes. These funds may be used to hire faculty, purchase research equipment, or construct new research facilities. Other policies encourage universities to seek additional research funding from other sources such as the federal government by providing matching grants. All of these programs attempt to identify and promote university research with the potential to be developed into commercial products and to create partnerships with private-sector organizations to develop and market the products (SSIT 2006, p. 14-15, 18-19, 21-22, and 24-25). Manufacturing extension programs attempt to increase productivity by providing

manufacturing firms with technical services to assist them in converting to new production methods (Jarmin 1999, p. 101).

Other programs attempt to stimulate productivity and innovation by expanding broadband Internet access throughout a state. These programs are intended to make a state more attractive to knowledge workers, enable telecommuting, and make a state a more attractive location for IT-using firms (Gillett, Lehr, Osorio, and Sirbu 2006, p. 7).

Data Summary

Table 3.1 provides a summary of all the economic development policies proposed by governors from 1997 through 2006. Over this period, governors included 1,219 economic development proposals in their state of the state or other major legislative addresses. Of these proposals, 826 concerned traditional economic development policies. The remaining 393 proposals concerned entrepreneurial policies.

Policies in the tax and regulatory reform subcategories accounted for almost four-fifths of all traditional economic development proposals. Over 59 percent of all traditional proposals were tax policies, with regulatory reforms at a distant second at 20 percent. Policies in each of the other three subcategories, unspecified and mixed policies, non-financial subsidies, and financial subsidies, accounted for less than 10 percent of traditional proposals.

Productivity and innovation policies were the most common entrepreneurial policies recommended, comprising almost two-thirds of all entrepreneurial proposals. Business creation and market expansion policies each accounted for less than 20 percent of all entrepreneurial proposals.

Table 3.1: Number and Percentage of Gubernatorial Economic Development Proposals by Category and Subcategory, 1997-2006

Traditional Policies			Entrepreneurial Policies		
Subcategory	f	Percent	Subcategory	f	Percent
Tax	488	(59%)	Productivity and Innovation	253	(64%)
Regulatory Reform	162	(20%)	Business Creation	76	(19%)
Unspecified and Mixed	73	(9%)	Market Expansion	64	(16%)
Non-financial Subsidies	70	(8%)			
Financial Subsidies	33	(4%)			
Total	826	(100%)	Total	393	(100%)

Note: Individual percentages may not total to 100 due to rounding.

Figure 3.1 presents the distribution of gubernatorial economic development proposals across governors' legislative addresses. The data illustrated in the histogram indicates that interest in economic development policy was widespread among American governors during the study period. More than three-quarters of legislative addresses analyzed for this study included at least one economic development proposal.

Although a few governors made a dozen or more proposals in a single speech, most governors made relatively few economic development proposals. Approximately 58 percent of the legislative addresses included two or fewer economic development proposals. About 80 percent contained fewer than five proposals.

Figure 3.1: Frequency Distribution of Economic Development Proposals, 1997-2006

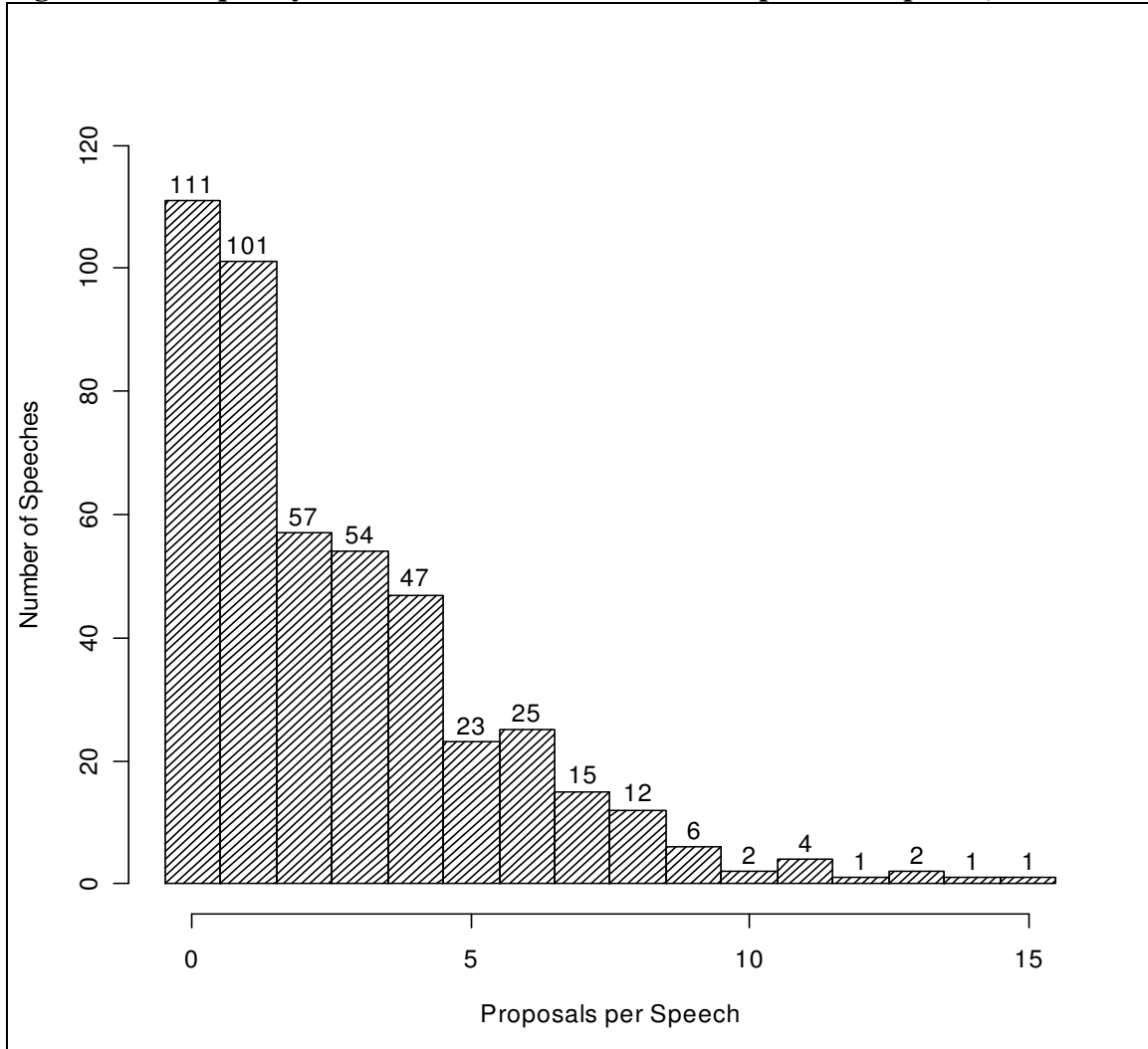


Figure 3.2 and Figure 3.3 present the frequency distributions of traditional and entrepreneurial economic development proposals, respectively. Traditional policies appear to have the more widespread support among governors than entrepreneurial policies. Almost two-thirds of all legislative addresses I analyzed included at least one traditional policy proposal, whereas less than 42 percent of addresses included any entrepreneurial proposals. The two figures also demonstrate that when economic development policy is on their legislative agendas, it is common for governors to make

multiple proposals of one type. An examination of Figure 3.2 reveals that governors proposed two or more traditional policies in 192 addresses, which is more than 53 percent of the addresses that contained at least one traditional proposal. Figure 3.3 illustrates that they proposed two or more entrepreneurial policies in 100 addresses, which is 52 percent of the addresses containing any entrepreneurial policies.

Figure 3.2: Frequency Distribution of Traditional Economic Development Proposals, 1997-2006

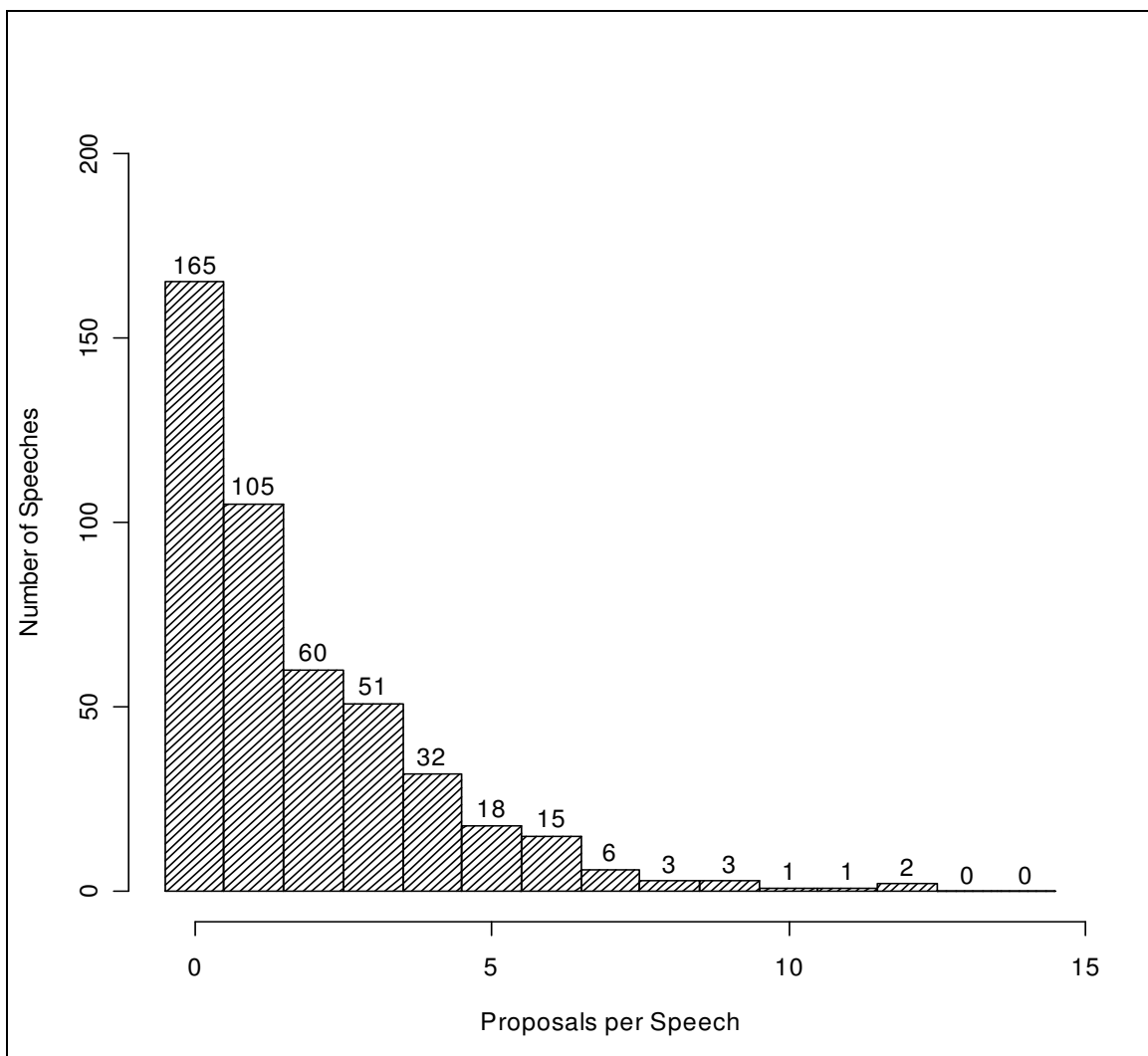


Figure 3.3: Frequency Distribution of Entrepreneurial Economic Development Proposals, 1997-2006

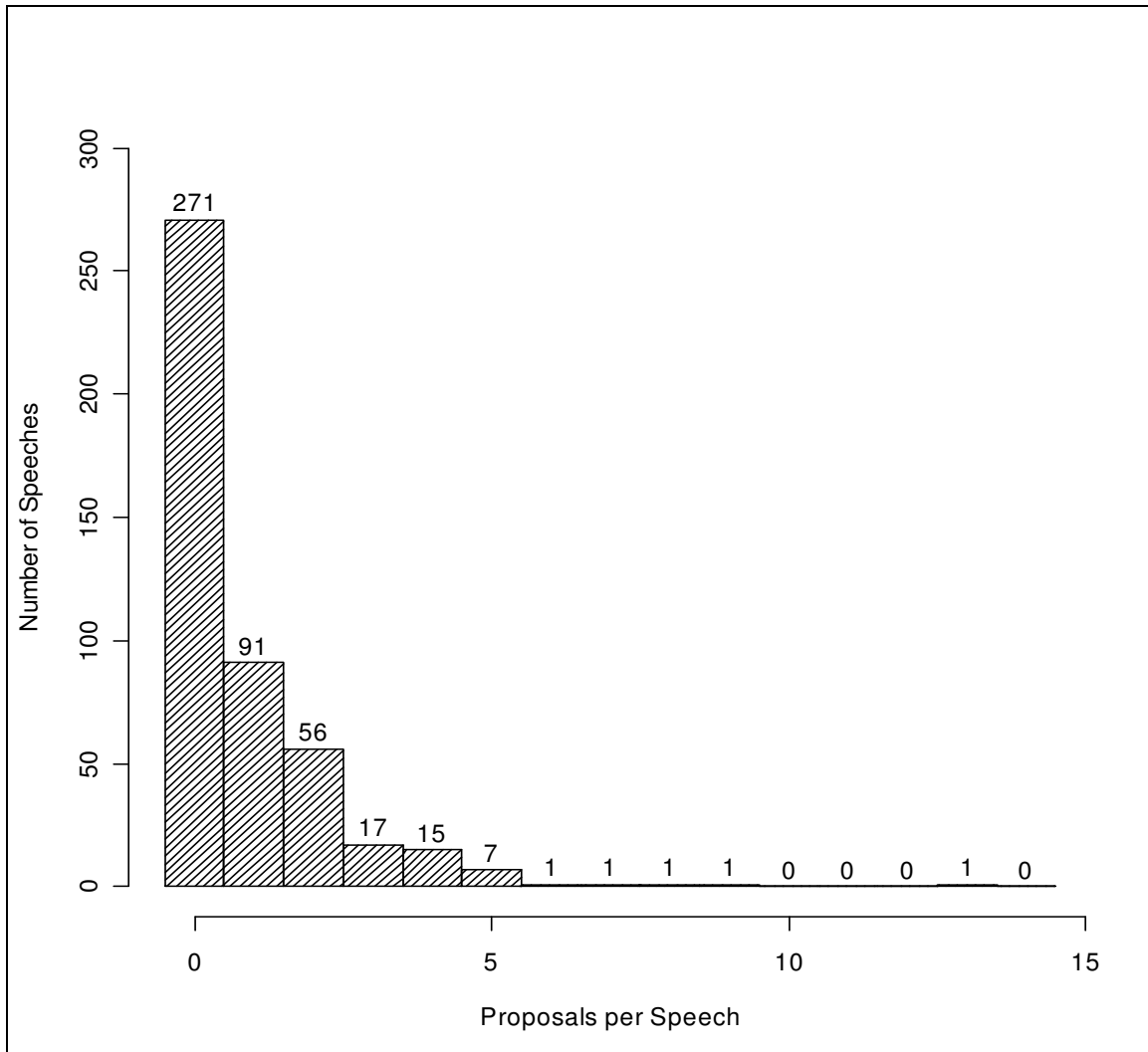
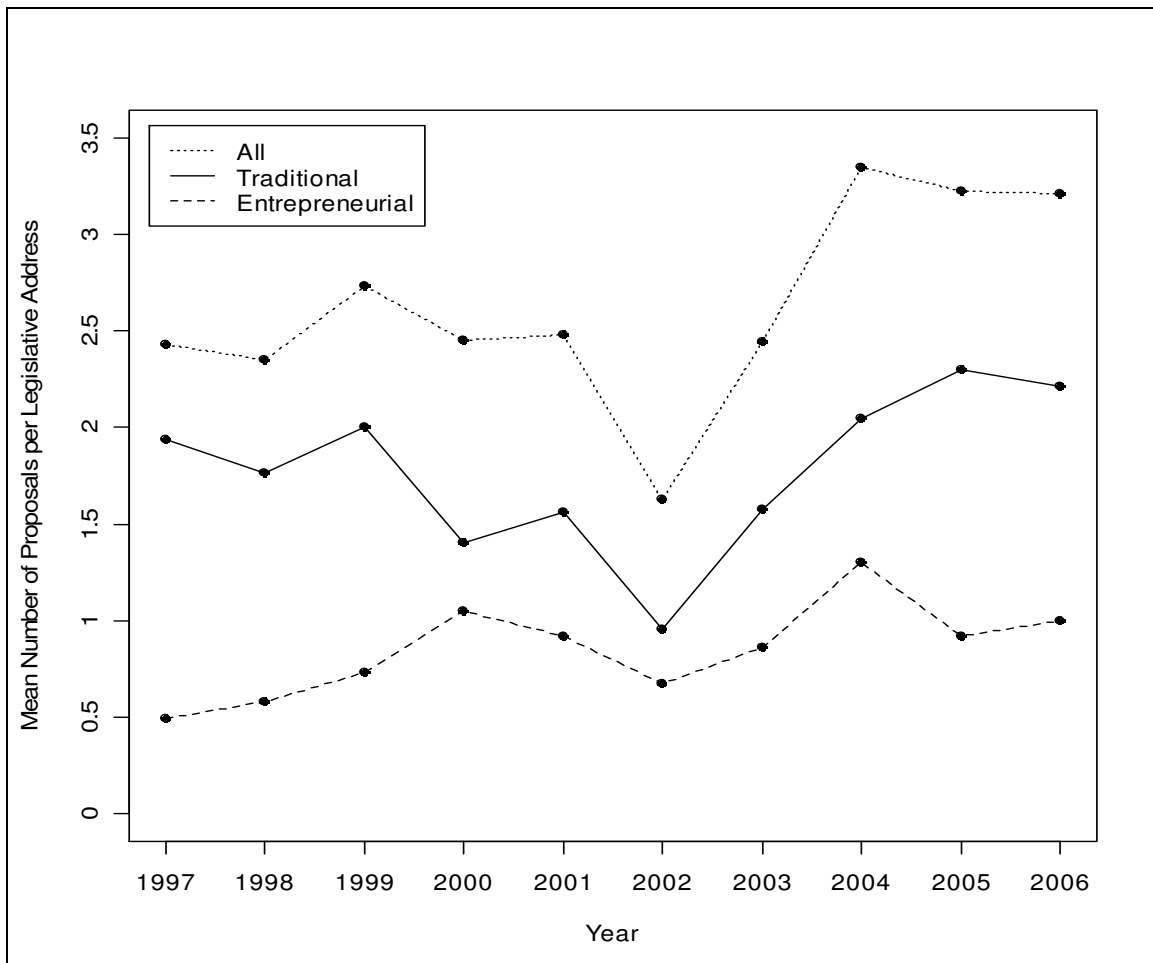


Figure 3.4 displays the mean number of economic development proposals per legislative address for each year in my study. The figure presents a separate line graph for traditional, entrepreneurial, and both types of proposals combined. The results for both types of economic development policies combined reveals that the emphasis that governors place on economic development in their legislative addresses varies over time. Specifically, the mean number of economic development policies recommended by

governors to their legislatures from 1997 to 2006 was fairly constant at approximately 2.5 proposals per address. There was a noticeable dip in the mean number of proposals in 2002, which was the first year after the end of the recession which lasted from March to November 2001.⁴ In 2003, the mean number of economic development proposals returned to its pre-recession level of approximately 2.5 proposals per address. From 2004 to 2006, the average was steady at approximately 3.2 proposals per address.

Figure 3.4: Mean Number of Economic Development Proposals per Legislative Address by Category and Year, 1997-2006.



⁴ The National Bureau of Economic Research lists the beginning and ending dates of business cycle expansions and contractions at [http:// www.nber.org/cycles.html](http://www.nber.org/cycles.html).

Figure 3.4 also reveals that traditional and entrepreneurial economic development proposals have followed different trends. During the period under study, there has been a general increase in the average number of entrepreneurial policy proposals over time. From 1997 to 2001, the average number of entrepreneurial proposals per legislative address increased from 0.5 to 0.9 proposals per address. After entrepreneurial policies declined to 0.7 proposals per address in 2002, the upward trend resumed. In 2006, the average number of entrepreneurial policies had risen to approximately 1.0 proposal per address, or about twice the 1997 average.

Traditional policies, on the other hand, have exhibited two separate trends. Over the period from 1997 to 2000, the average number of traditional proposals per address declined from about 2.0 to about 1.0 proposal per address. However, from 2002 to 2006, the number of traditional proposals increased to approximately 2.2 proposals per legislative address.

Overall, the results in Figure 3.4 demonstrate that during the last few years of the economic expansion that ended in 2001, there was little change in the collective emphasis that governors placed on economic development policy in their legislative agendas. During this period, however, their specific policy preferences seemed to be shifting from traditional to entrepreneurial economic development policies. During the 2002 legislative sessions which followed the 2001 recession, governors decreased their emphasis on economic development policy. This decrease was reflected in a decline in both traditional and entrepreneurial policy proposals. I could argue, however, that the decline in traditional policies was the continuation of a pre-existing trend. I am surprised by the

reduced emphasis by governors on economic development policy at that time, because I would have expected them to view the effect of the recent recession as a problem requiring an increased attention toward economic policy. As the economic recovery continued however, they resumed their earlier level of emphasis on economic development policy. By 2004, governors had reached a new steady-state in which they placed even more emphasis on economic development policy than they had in the late 1990s.

Summary

In this chapter, I described my procedures for collecting data regarding the economic development policies that governors recommend to their legislatures. I also summarized the data that I collected and I briefly analyzed changes over time in the numbers and types of economic development policies that governors propose while in office.

In Chapter IV, I will begin analyzing my data to test the hypotheses that I presented in Chapter II. Specifically, I will examine the influence of state economic conditions, budget resources, gubernatorial party affiliation, partisan legislative control, citizen ideology, state political culture, business climates, and state entrepreneurial resources on the number and types of economic development policies that governors propose to state legislatures.

CHAPTER IV

A MODEL OF GUBERNATORIAL ECONOMIC DEVELOPMENT POLICYMAKING

In Chapter II, I outlined my theory of gubernatorial economic development policymaking and stated a number of testable hypotheses derived from that theory. In this chapter, I estimate four models of gubernatorial economic development policymaking in order to test the first nineteen hypotheses. These hypotheses relate to the influence of state economic conditions, budget resources, gubernatorial party affiliation, partisan legislative control, citizen ideology, state political culture, business climates, and state entrepreneurial resources on governors' economic development policy decisions.

Dependent Variables

My four models each have a different dependent variable. These dependent variables are derived from the data about governors' economic development proposals that I collected using the procedures described in Chapter III. The first model predicts whether a governor includes one or more traditional economic development policies in each legislative address. The dependent variable in this model is a dummy variable that takes a value of one if a governor proposed at least one traditional economic development policy in his legislative address and a value of zero if he proposed none. The second model predicts whether a governor includes one or more entrepreneurial economic development policies in each legislative address. This model's dependent variable is a dummy variable that takes a value of one if a governor proposed at least one entrepreneurial economic development policy in his legislative address and a value of

zero if he proposed none. I estimate these models using logistic regression because it is the standard way to estimate models with binary dependent variables (Gelman and Hill 2007, p. 79).

The third model predicts the number of traditional proposals that governors include in each legislative address. The dependent variable in this model is the number of traditional economic development policies that a governor proposed in each legislative address. The fourth model predicts the number of entrepreneurial proposals included in each gubernatorial address. This model's dependent variable is the number of entrepreneurial economic development policies that a governor proposed in each legislative address. Because the dependent variables of these two models are count variables, I estimate these models using a method appropriate for count data. Ordinary least squares regression, although commonly used for analyzing count data, is an inappropriate method because it may produce biased coefficients and may predict negative event counts, which are nonsensical (King 1988, p. 845-46). Quantitative methods that are appropriate for analyzing count data include Poisson and negative binomial regression. The primary practical difference between Poisson and negative binomial regression is that Poisson regression assumes that the variance of the dependent variable is equal to its mean. Negative binomial regression, on the other hand, assumes that the variance of the dependent variable is greater than the mean (King 1998, p. 51). In other words, the dependent variable is overdispersed. If Poisson regression is used to analyze overdispersed data, then the coefficients will be unbiased. The standard errors, however, will tend to be too small, overstating the statistical significance of the

coefficients (King 1988, p. 840). Because the dependent variables for my third and fourth models are overdispersed, I use negative binomial regression to estimate these models. Summary statistics for all dependent and independent variables used in my analyses are presented in the appendix (see Table A.1).

Independent Variables

Each model contains independent variables measuring each state's economic conditions, budget resources, gubernatorial party affiliation, partisan legislative control, citizen ideology, state political culture, business climate, and entrepreneurial resources. These variables and the sources of the data used to create them are discussed below.

State Economic Conditions

There are numerous indicators that measure a state's economic conditions. The need for parsimony prohibits including all of them in my statistical models. Because my study is concerned with the effect of state economic conditions on gubernatorial economic development proposals, I selected indicators based on the types of economic measures that governors mentioned in their legislative addresses when they were discussing their states' economies. While analyzing gubernatorial addresses, I classified the economic indicators that governors mentioned in each address into several different categories. I then determined how many gubernatorial addresses mentioned economic indicators in each category. This information is presented in Table 4.1.

Table 4.1: Number and Percentage of Gubernatorial Addresses Mentioning State Economic Indicators by Category, 1997-2006

Category	f	Percentage ^a
Jobs or Employment	309	67%
Business Creation or Investment	135	29%
Income or Wages	130	28%
Business Climate	102	22%
State Credit Rating	59	13%
Poverty	19	4%

^a Percentages are based on a total of 462 gubernatorial addresses.

The state economic indicators mentioned in the largest number of addresses were those measuring jobs or employment, such as aggregate employment levels and unemployment rates. Of the 462 gubernatorial addresses analyzed for this study, governors mentioned a job or employment-related indicator in 309, or just over two-thirds of them. Economic indicators measuring business creation or investment and income or wages were the next two most frequently mentioned types of indicators. Business creation and investment measures mentioned by governors included the dollar value of new business investment and the number of new employers in a state. Income and wage indicators included measures such as per capita income and average manufacturing wage.

Economic indicators must often be compared to benchmarks to determine whether they represent favorable or unfavorable economic performance. When governors discuss economic indicators, they use two types of benchmarks for comparison. In some cases, governors compare their states' performance to that of other states. For example, a

governor would compare his state's unemployment rate to the national unemployment rate or to the unemployment rates of other states within the same region. In other cases, governors use their own states' prior economic conditions as benchmarks, such as pointing out that real per capita income in a state has increased since the beginning of the governor's administration.

I create independent variables based on economic indicators within each of the three categories mentioned most often by governors in their legislative addresses: jobs or employment, business creation or investment, and income or wages. I develop two variables within each of the three categories: one that compares a given state's performance to a benchmark based on the concurrent performance of the nation as a whole and one that compares the state's performance to a benchmark based on the state's own performance one year earlier. Although many states have agencies that gather economic data, I create my economic performance variables using data gathered by federal agencies to minimize differences in collection and measurement methods across states.

Unemployment Rates

I use state unemployment rates to develop variables measuring state economic conditions related to employment. The Bureau of Labor Statistics reports monthly and annual unemployment rates for each state and for the entire nation. I use monthly unemployment rates, rather than annual rates, to create my variables because the monthly rates provide a better indication of a state's economic condition at the time its governor delivers his legislative address.

Most gubernatorial addresses are delivered shortly after the beginning of a calendar year. For this reason, I use the seasonally adjusted, monthly unemployment rates reported by the Bureau of Labor Statistics for each state and the nation in December of the previous year⁵ as measures of the economic condition of each state and the nation at the time of each governor's legislative address. I derive two measures of economic conditions from these unemployment rates: the relative unemployment rate, which compares a state's economic performance to a national benchmark, and the annual change in unemployment rate, which compares a state's economic performance to a benchmark based on the state's prior economic performance.

A state's relative unemployment rate is the value obtained by subtracting the national unemployment rate from the state's unemployment rate reported during the same month. The annual change in a state's unemployment rate is the value obtained by subtracting the unemployment rate of the twelfth prior month from the state's monthly unemployment rate. Positive values indicate unfavorable economic conditions for both of these variables.

Business Creation Rates

I use state firm creation rates to develop variables measuring state economic conditions related to business creation and investment. I obtained data regarding annual firm creation rates from reports published by the Small Business Administration (1997, 1999, 2001, 2004a, 2004b, 2004c, 2005, 2006). A state's firm creation rate is the number of new firms created during a year divided by the number of existing firms at the

⁵ In most cases, the December report announced the November unemployment rate.

beginning of the year. I convert the rate to a percentage and use this value as a measure of the rate of business creation in a state at the time of the governor's legislative address. I derive two measures of economic conditions from this firm creation rate: the relative firm creation rate, which compares a state's economic performance to a national benchmark, and the annual change in firm creation rate, which compares a state's economic performance to a benchmark based on the state's prior economic performance.

A state's relative firm creation rate is the value obtained by subtracting the arithmetic average of all fifty states' firm creation rates from the state's firm creation rate. The annual change in a state's firm creation rate is the value obtained by subtracting the state's firm creation rate from the state's firm creation rate for the prior year. Positive values indicate favorable economic conditions for both of these variables.

Average Wages

I use the average wage per job, as reported by the Bureau of Economic Analysis⁶ (BEA) for each state, to develop variables measuring state economic conditions related to income and wages. The BEA computes a state's average wage per job by dividing its annual wage and salary disbursements by its total wage and salary employment in the same year. I use the average wage per job because this measure includes only wages and salaries earned through employment and excludes non-employment income, such as transfer payments and investment income, which are included in broader income measures, such as per capita personal income.

⁶ These data may be downloaded from the BEA's Local Personal Income website at <http://www.bea.gov/regional/reis/default.cfm?catable=CA34§ion=2>.

I use the average annual wage reported by the Bureau of Economic Analysis (BEA) for the previous year as a measure of the average wage in a state at the time of the governor's legislative address. Because the BEA reports average wages in nominal dollars, I adjusted these average wages to real average wages reported in 2006 dollars. I derive two measures of economic conditions from this average wage data: the relative average wage, which compares a state's economic performance to a national benchmark, and the annual change in real average wage, which compares a state's economic performance to a benchmark based on the state's prior economic performance.

A state's relative average wage is the percentage by which a state's average wage exceeds or falls short of the arithmetic average of all fifty states' real average wages. In other words, if the real average wage in a state is 110 percent of the national average, then that state's relative average wage is 10 percent. If the real average wage in a state is 95 percent of the national average, then that state's relative average wage is -5 percent. The annual change in a state's real average wage is the percentage change in real average wage since the prior year. Positive values indicate favorable economic conditions for both of these variables.

State Budget Resources

I measure each state's budget resources using information obtained from the *Fiscal Survey of the States*, which is prepared by the National Association of State Budget Officers (NASBO) in association with the National Governors Association (NGA). This report is issued annually and contains data concerning each state's general fund revenues for the previous, current, and upcoming fiscal years. The report also

contains information about tax cuts, tax increases, and other revenue changes proposed by the governor of each state.

I use data obtained from these surveys (NASBO/NGA 1997, 1998, 1999, 2000, 2001, 2002, 2003, 2004, 2005, 2006) to calculate the projected percentage change in available general fund revenues for each state in each year. The surveys report the projected general fund revenue for the current fiscal year, including any revenue transferred into the general fund from other funds. I estimated the projected general fund revenues available for the coming fiscal year by subtracting the governor's proposed tax and revenue changes from the total projected general fund revenues. Because these figures are reported in nominal dollars, I adjust these revenue amounts to figures reported in 2006 dollars. I then compute the projected percentage change in available general fund revenues.

Gubernatorial Party Affiliation and State Legislative Control

I obtain information concerning the party affiliation of each governor in my dataset from the gubernatorial data contained within the *Book of the States* (Council of State Governments [CSG] 1997, 1999, 2001, 2002, 2003, 2004, 2005, 2006). I included this information in my dataset by coding two variables indicating each governor's party affiliation at the time of each legislative address. The first variable has a value of one if the governor was a Republican and zero if he was not. The second variable has a value of one if the governor was a Democrat and zero if he was not. In the case of governors who were not affiliated with either major party, both variables have a value of zero.

I also code two variables indicating which political party controlled the state legislature at the time of each governor's legislative address. The first variable has a value of one if the legislature was under Republican control and a value of zero if it was not. The second variable has a value of one if the legislature was under Democratic control and a value of zero if it was not. If neither political party controlled the legislature, both variables have a value of zero. I considered a state legislature to be under a particular party's control when both chambers were controlled by that party. I considered a state legislature to be under neither party's control if each chamber was controlled by a different party or if one or both chambers were under shared control.⁷

I use a dataset and set of definitions developed by Klarner (2003) to determine which party controlled each chamber of a state legislature. Klarner (2003) defines a legislative chamber as controlled by a single party when one of three conditions exists: (1) when a party has more than 50 percent of the seats in the chamber for the entire session; (2) when a party begins a session with more than 50 percent of the seats and then loses the majority during the session but retains control of the legislative leadership positions and committee chairs; or (3) when neither party has a majority of seats but one party holds more than 75 percent of the committee chairs (p. 314). These three situations account for the vast majority of cases. However, control of a legislative chamber may be shared by the two parties. Klarner (2003) counts each party as having 50 percent control of a chamber during periods when neither party has a majority of seats and neither party holds more than 75 percent of the committee chairs (p. 314).

⁷ I cannot create variables that indicate which party is in control of the Nebraska legislature because it is nonpartisan. For this reason, I have excluded addresses by Nebraska governors from my analysis.

The Klarner dataset⁸ provides data concerning partisan control of state legislatures from 1997 through 2000. I construct a dataset for the years 2001 through 2006 using Klarner's (2003) definitions and data from the *Book of the States* (CSG 2002, 2003, 2004, 2005, 2006) and data from the web site of the National Conference of State Legislatures (NCSL 2002a, 2002b, 2003, 2004, 2005, 2006). I obtained information about instances of shared control of legislative chambers from the NCSL website (NCSL 2007a, 2007b), various issues of *State Legislatures*, a periodical published by the NCSL (Ammons 2001a; Dennison 2005; Diamond 2002; Fischer 2001; Gardner 2003; Quinn 2001; and Wong 2003), and from articles in the news media (Ammons 2001b; Davenport 2003; "Democrats Shuffle..." 2001; Glover 2006; Kinney 2003; Rice 2004; Robertson 2005; and Shanahan 2002). Table 4.2 presents the number and percentage of addresses delivered under each combination of gubernatorial party affiliation and legislative partisan control.

Table 4.2: Number and Percentage of Addresses by Gubernatorial Party Affiliation and Legislative Partisan Control, 1997-2006

Gubernatorial Party Affiliation	Legislative Partisan Control			Total
	Republican	Split	Democratic	
Republican	112 (25%)	53 (12%)	95 (21%)	260 (58%)
Democratic	60 (13%)	50 (11%)	73 (16%)	183 (40%)
Other	0 (0%)	3 (<1%)	6 (1%)	9 (2%)
	172 (38%)	106 (23%)	174 (38%)	452 (100%)

Note: Addresses by Nebraska governors are excluded because of Nebraska's nonpartisan legislature.

⁸ The Klarner dataset is available for download at the *State Politics and Policy Quarterly* data resource web site. The web site address is http://www.unl.edu/SPPQ/journal_datasets.html.

The data presented in Table 4.2 indicate that there are more addresses by Republican governors than Democratic governors. Both Republican and Democratic governors were more slightly likely to experience unified government than to face a legislature controlled by the opposition party. Democratic governors, however, were more likely than Republican governors to face a legislature under split control. Democratic governors faced a split legislature 50 out of 183 times or approximately 27 percent of the time. Republican governors faced a split legislature only 50 out of 260 times, or approximately 20 percent of the time. As a result of this difference, Democratic governors were slightly more likely to experience divided government than Republicans.

Citizen Liberalism

I measure citizen liberalism using the method developed by Erikson, Wright, and McIver (1993). Wright provides a dataset used to compute citizen liberalism values on his website.⁹ This dataset contains aggregated CBS and *New York Times* poll results over the period from 1976 to 2003 with variables measuring the percentages of each state's population that identify as liberal, conservative, or moderate. A state's mean citizen liberalism is defined as the difference between the percentage of the population that identifies as liberal and the percentage that identifies as conservative (Erikson, Wright, and McIver 1993, p. 15-17). Like Erikson, Wright, McIver (1993), I compute each state's liberalism score by pooling data from multiple years in order to reduce the volatility caused by sampling error arising from small sample sizes in some states (p. 37).

⁹ <http://php.indiana.edu/~wright1/>

State Political Culture

I hypothesize that the economic development proposals that a governor recommends to the legislature will depend, in part, on whether his state has a moralistic, traditionalistic, or individualistic political culture. I identify each state's political culture using Gray's (2004) adaptation of Elazar's (1984) political culture classifications. Because most states exhibit more than one political culture, Gray (2004) categorizes each state according to which political culture dominates its politics (p. 24).

I incorporate state political culture into my models using two dummy variables. The first variable takes a value of one if a state has a traditionalistic culture and a value of zero if it does not. The second variable takes a value of one if a state has an individualistic political culture and a value of zero if it does not. If a state has a moralistic political culture, then both variables take a value of zero.¹⁰

Newcomers to a state may either adopt the political attitudes associated with the political culture of their new home or they may maintain the political attitudes they brought with them from their previous residence. Consequently, migration of people from one state to another may either reinforce or modify the existing political culture within a state. These changes, however, occur slowly and scholars have found that some political and policy differences between states are explained by Elazar's original political culture

¹⁰ The traditionalistic states are Alabama, Arizona, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, New Mexico, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia, and West Virginia. The individualistic states are Alaska, Connecticut, Delaware, Hawaii, Illinois, Indiana, Maryland, Massachusetts, Missouri, Nebraska, Nevada, New Jersey, New York, Ohio, Pennsylvania, Rhode Island, and Wyoming. The moralistic states are California, Colorado, Idaho, Iowa, Kansas, Maine, Michigan, Minnesota, Montana, New Hampshire, North Dakota, Oregon, South Dakota, Utah, Vermont, Washington, and Wisconsin (Gray 2004, p. 24).

classifications (Gray 2004, p. 24-25). For these reasons, I assume that each state's political culture is unchanged over the period under study.

State Business Climate

Eisinger (1988) defines a state's business climate as a "composite measure of the attitudes of a state's population and government officials toward business" (p. 130). Factors that are thought to affect business costs within the states, such as tax levels, environmental regulations, and labor laws, are used as indicators of these attitudes (Eisinger 1988, p. 130, 138-139, 165-168, and 169-170).

I create business climate variables that are based on state tax revenues and workers' compensation expenditures. As with my variables measuring states' economic performance, I develop business climate variables using data that were collected by a single government agency or private organization in order to minimize differences in collection and measurement methods across states and over time.

State Tax Revenues

I use tax and population data collected by the U.S. Census Bureau to develop a variable measuring the relative per-capita tax revenues of each state. The U.S. Census Bureau collects annual data concerning state tax revenues.¹¹ A state's per capita tax revenue in a given year is computed by dividing its real state tax revenue (in 2005

¹¹ The Urban Institute-Brookings Institution Tax Policy Center has created the *State & Local Government Finance Data Query System* to aid researchers in downloading and using this data. The Tax Policy Center's system can be accessed at <http://www.taxpolicycenter.org/slf-dqs/pages.cfm>.

dollars) by its population.¹² I then subtract the average per capita tax revenue for all states in that year to obtain the state's relative per capita state tax revenue.

Workers' Compensation Benefits

I use data collected by the National Academy of Social Insurance (2007) to create a variable measuring business costs related to workers' compensation insurance. I computed each state's workers' compensation benefits per job by dividing its real workers' compensation benefits (in 2005 dollars) paid in a given year by its total wage and salary employment for the same year.¹³ I then subtract the average workers' compensation benefits per job for all states in that year to obtain each state's relative workers' compensation benefits per job. In computing each of these variables, I use values for the year prior to the year in which a governor delivered his legislative address.

State Entrepreneurial Resources

Hall (2007) observes that implementing newer economic development policies focused on business creation and innovation requires different resources than for implementing traditional industrial recruitment policies (p. 107-08). He classifies these resources into three categories: (1) human resources for innovation, (2) financial resources for innovation, and (3) financial resources for commercialization (Hall 2007, p. 109-11). I account for the influence of a state's entrepreneurial resources in my model by

¹² The combined state and local tax burden would be a better measure of a state's tax burden than just the state tax burden alone because it provides a more comprehensive measure. Unfortunately, the Census Bureau did not collect local tax data for individual states in 2001 and 2003.

¹³ Wage and salary employment data is obtained from the Bureau of Economic Analysis website: <http://www.bea.gov/regional/reis/default.cfm?catable=CA34§ion=2>.

including one variable measuring each of these three types of resources. These variables are based on each state's high tech employment, private venture capital funding, and academic research and development expenditures.

High Tech Employment

I use a state's high tech employment as a measure of its human resources for innovation. I define a state's high tech employment in a given year as the percentage of its workers that are employed in high tech industries as defined by Hecker (1999 and 2005).¹⁴ These industries include sectors such as aerospace, pharmaceutical, or computer manufacturing. Relative high tech employment is obtained by subtracting the national percentage of high tech employment for that year from the state percentage.

Private Venture Capital Funding

I measure each state's financial resources for innovation with a variable based on its private venture capital funding. I computed a state's private venture capital funding per job by dividing its real venture capital funding¹⁵ (in 2005 dollars) by its total wage and salary employment for the same year. I then subtracted the average venture capital funding per job for all states to obtain a state's relative venture capital funding.

¹⁴ I obtained state employment figures by industry from the U.S. Census Bureau's annual *County Business Patterns* publications, which are available at <http://www.census.gov/epcd/cbp/view/cbpview.html>.

¹⁵ I obtained the total private venture capital funding for each state in each year from a database maintained by PricewaterhouseCoopers and the National Venture Capital Association. It can be accessed at <https://www.pwcmoneytree.com/MTPublic/ns/nav.jsp?page=historical>.

Academic Research and Development Spending

I use a state's academic science and engineering research and development expenditures as a measure of its financial resources for innovation. I calculate a state's academic research and development expenditures per job in a given year by dividing a state's annual academic science and engineering research and development expenditures¹⁶ by its total wage and salary employment for the same year. I obtain relative research and development expenditures by subtracting the average research and development expenditures per job for all states for that year.

Analyzing Economic Development Policymaking

I test my hypotheses by estimating four models. Two of the models use logistic regression to predict whether governors include at least one traditional or entrepreneurial economic development proposal in their legislative addresses. The other two models use negative binomial regression to predict the number of traditional or entrepreneurial economic development policies that governors propose in their legislative addresses. I provide the logistic and negative binomial regression results regarding my models in the appendix (see Table A.2 and Table A.3) as a point of reference for the reader. However, the direct interpretation of these regression coefficients in relation to my hypotheses is rather complex. The complexity arises because the coefficients cannot be directly interpreted as changes in the quantities of interest in my analysis, which are probabilities and proposal counts. Therefore, I use computer simulations, as suggested by King, Tomz,

¹⁶ I obtained academic science and engineering research and development expenditures for each state in each year from a database maintained by the National Science Foundation. This database can be accessed at <http://webcaspar.nsf.gov/>.

and Wittenberg (2000), to analyze my hypotheses. The simulation procedures are described later in this chapter.

Economic Development Policy as a Response to State Economic Conditions

Poor economic conditions in a state can reduce a governor's approval among the public and diminish his prospects of being reelected (Atkeson and Partin 1995, p. 104; Hansen 1999, p. 177-78; Howell and Vanderleeuw 1990, p. 163-64; Niemi, Stanley, and Vogel 1995, p. 949; Partin 1995, p. 88). Because governors are rational political actors, I expect them to place issues on their legislative agendas that will allow them to increase or maintain their public approval to increase their chances of being reelected. Consequently, I expect governors to be more likely to place economic development on their legislative agendas during times of economic distress than during times of good economic performance. I stated this expectation in my first hypothesis:

Hypothesis 1: A governor will be more likely to include economic development proposals on his legislative agenda when the economic conditions in a state are poor, than when conditions are good.

In my models, I measure states' economic conditions in two ways: (1) with relative measures that indicate whether a state is leading or lagging the national average in economic performance, and (2) with measures of annual changes in economic performance that indicate whether the condition of a state's economy has improved or declined during the preceding year. My first hypothesis implies that governors of states that are lagging the nation or that have experienced economic decline over the past year will be more likely to include traditional and entrepreneurial economic development proposals in their legislative addresses.

Some of the coefficients of the traditional policy model presented in Table A.2 provide support for my first hypothesis. They indicate that governors are significantly more likely to propose traditional economic development policies when their states lag the nation with respect to unemployment or firm creation rates. The coefficients of the entrepreneurial model, however, do not support this hypothesis. They indicate that governors of states with unemployment rates above the national rate are significantly less likely to propose entrepreneurial policies than governors of states with more favorable unemployment rates.

The regression results provide no evidence, however, that governors of states experiencing economic decline are more likely to propose either type of economic development policies during their legislative addresses than governors of states that are experiencing economic improvement. On the contrary, the results of the traditional policy model indicate that governors of states experiencing increasing unemployment rates and declining firm creation rates are significantly less likely to propose traditional economic development policies than governors of states experiencing economic improvement. Similarly, the coefficients of the entrepreneurial policy model indicate that governors of states experiencing increasing unemployment and declining firm creation rates are significantly less likely to include entrepreneurial economic development proposals in their legislative addresses than governors of states experiencing economic improvement.

Examining the individual coefficients reported in Table A.2 allows me to make a qualitative assessment of the effect of economic conditions on the probability that governors address economic development as a policy issue on their legislative agendas.

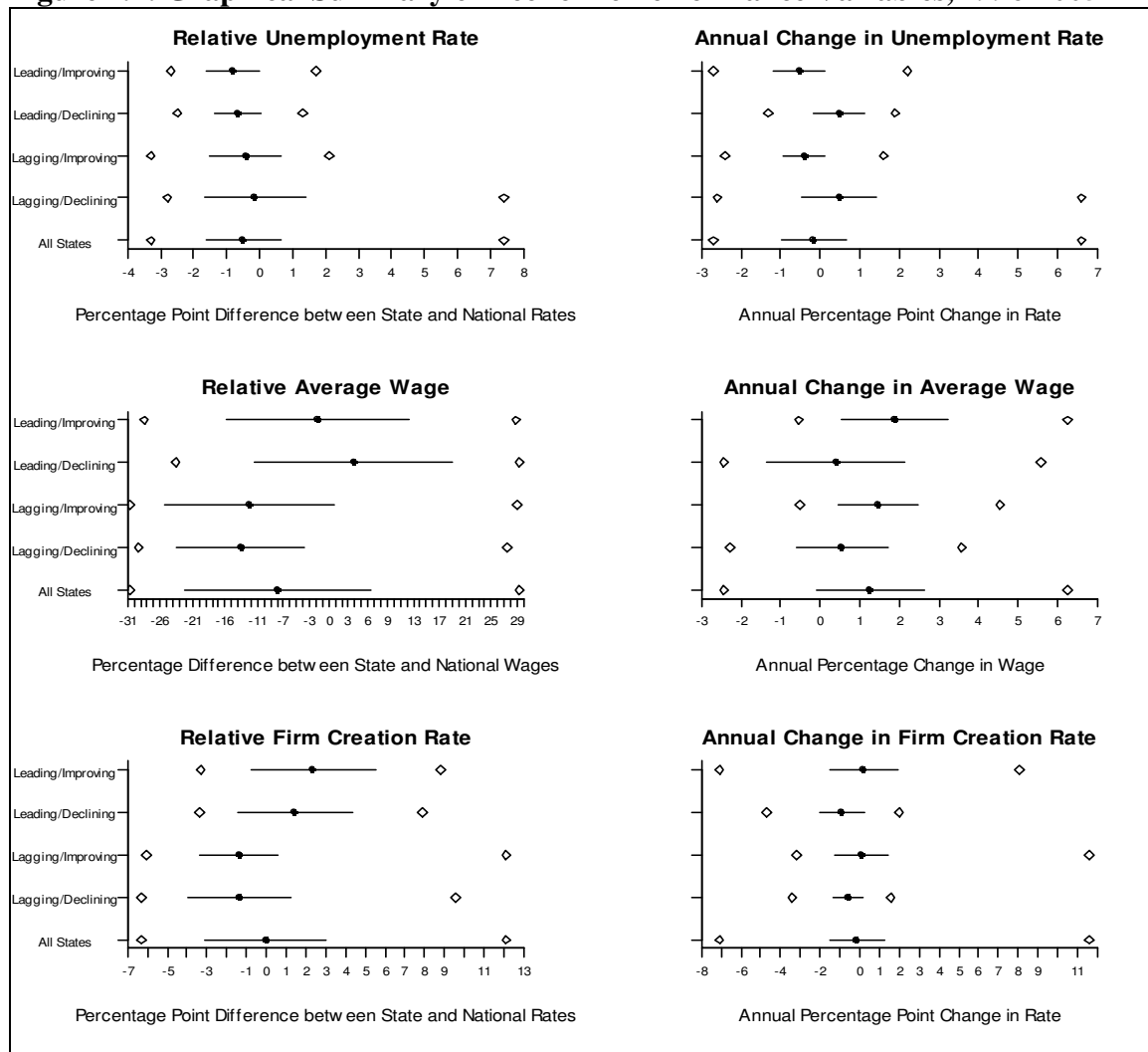
Examining the individual coefficients does not, however, allow me to report these effects in terms of the quantity of interest, which is the change in probability associated with a given change in economic conditions. Logistic regression coefficients are not interpreted as a change in probability, but instead are interpreted as a change in the logarithm of the odds ratio, which is known as the log-odds ratio. The odds ratio is the ratio of the probability that the dependent variable has a value of one to the probability that the dependent variable has a value of zero (Gujarati 1999, p. 449). The interpretation of a change in the log-odds ratio is not very intuitive. Furthermore, an individual coefficient estimates the effect of changing one variable while holding the others constant. Considering the coefficients in this way may provide an unrealistic interpretation because the economic condition variables are likely to covary. In other words, a state that is performing poorly on one measure is likely to be performing poorly on others.

To solve the problem of co-variation regarding the economic performance measures, I classify states into a two-dimensional typology of state economic performance. The first dimension indicates whether a state is leading or lagging the national average. The second indicates whether a state's economy has improved or declined over the past year. These two dimensions produce a four-category typology of state economic performance: leading/improving, leading/declining, lagging/improving, and lagging/declining.

I classify a state as leading the nation in a given year when it outperforms the national average on at least two of the three relative performance variables. I classify a state as improving in a given year if at least two of the three annual performance

variables indicate an improving economy. Figure 4.1 presents a graphical display of the mean, standard deviation, minimum and maximum for each of the six economic performance variables for states in each of the four economic performance categories and for all states. I use these mean values in computer simulations to estimate the effect of a state's economic performance on the economic development policies that the state's governor includes in his legislative address.

Figure 4.1: Graphical Summary of Economic Performance Variables, 1996-2005



Note: Mean values are indicated by a small black dot; solid lines indicate standard deviations; diamond symbols indicate maximum and minimum values.

The patterns displayed in Figure 4.1 are largely what I would expect. Leading states tend to have lower unemployment rates, higher average wages, and greater firm creation rates than states that are lagging. States with improving economic conditions tend to have declining, rather than rising, unemployment rates and experience larger annual increases in wages and firm creation rates than declining states.

To solve the problem of interpreting the regression coefficients, I can use computer simulation, as suggested by King, Tomz, and Wittenberg (2000). For example, I can use the regression results to predict the probability that a governor will propose one or more traditional economic development policies during his legislative address given that his state is leading the nation in economic performance and has experienced economic improvement over the past year. First, I randomly draw a set of model parameters from their asymptotic distribution, which is defined by the vector of model coefficients and their variance-covariance matrix. Second, I set the explanatory variables to values appropriate for the simulation. In this example, I set the economic performance variables to the mean values for states in the leading/improving performance category. All other explanatory variables are set to their overall mean values. Third, using the simulated coefficients from the first step and the explanatory variables from the second step, I compute the expected probability that a governor will include one or more traditional economic development proposals in his legislative address. I then repeat this algorithm 10,000 times.¹⁷ The mean value of these predictions is the expected probability that a governor will include one or more traditional policies in his legislative address

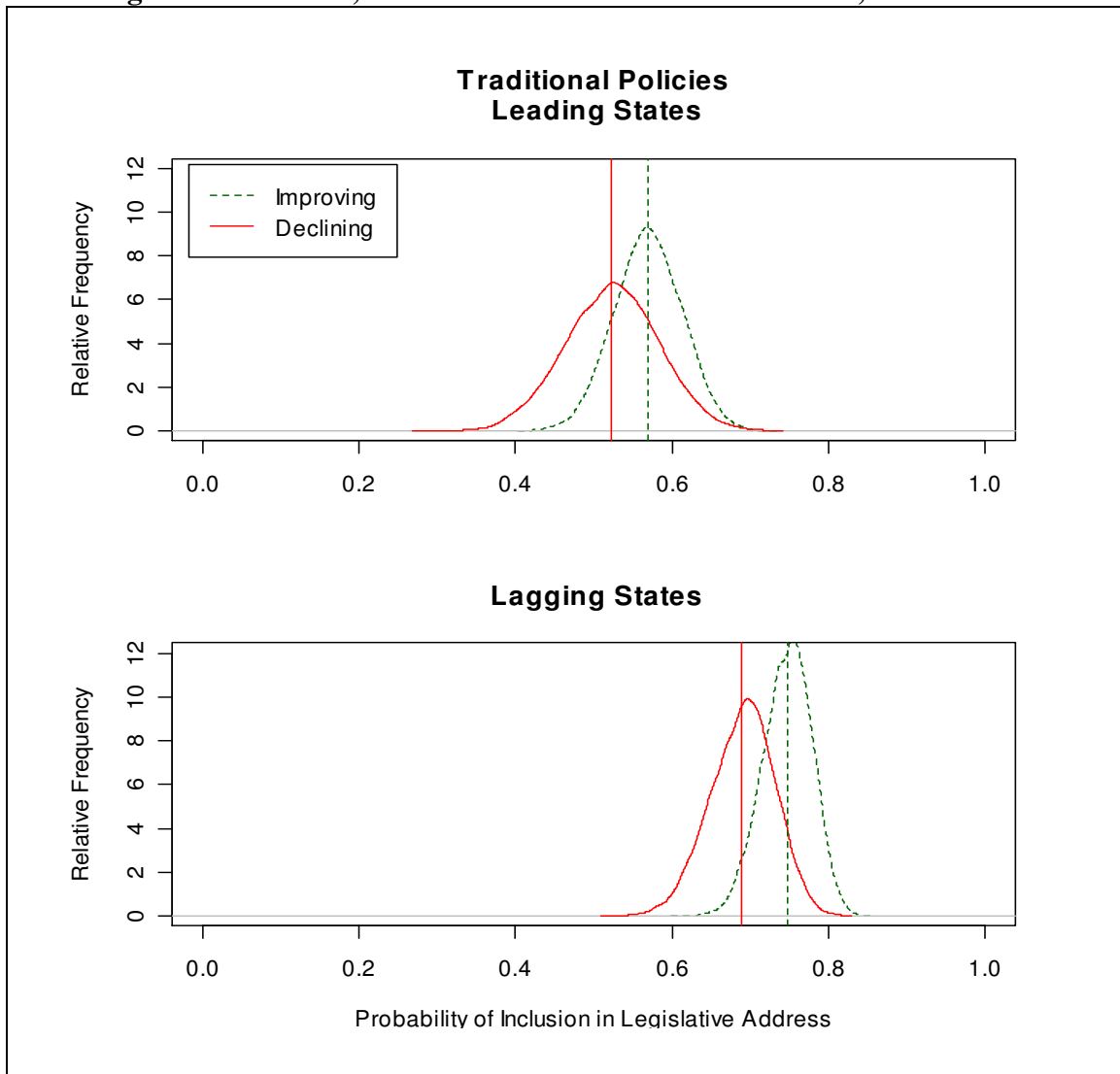
¹⁷ I use the Zelig package (Imai, King, and Lau 2007) within the R statistical software program to estimate the models and perform the simulations.

under the economic conditions simulated. I repeat this algorithm for states in the other three economic performance categories.

The results of these simulations are plotted in Figure 4.2. The prediction point estimates are indicated by vertical lines. I also plot probability distribution curves for each estimate to highlight the fact that these predictions are estimates with uncertainty attached to them and to provide a visual indication of the amount of uncertainty surrounding each estimate. The estimates plotted in the top panel of Figure 4.2 indicate that there is a 52 to 57 percent probability, depending on whether the state is declining or improving, that a governor of a state that is leading the nation in economic performance will include at least one traditional economic development policy in his legislative address. The estimates for governors of states that are lagging economically are plotted in the bottom panel of Figure 4.2. There is a 69 to 75 percent probability that governors of these states will propose traditional economic development policies as part of their legislative agendas.

Comparing the simulation results in the top and bottom panels of Figure 4.2 reveals that there is a 17 to 18 percent greater probability, depending on whether the state is improving or declining, that governors of lagging states will propose at least one traditional economic development policy compared to governors of leading states. These differences are statistically significant at a confidence level exceeding 99 percent. The difference between improving and declining states in each panel is not statistically significant.

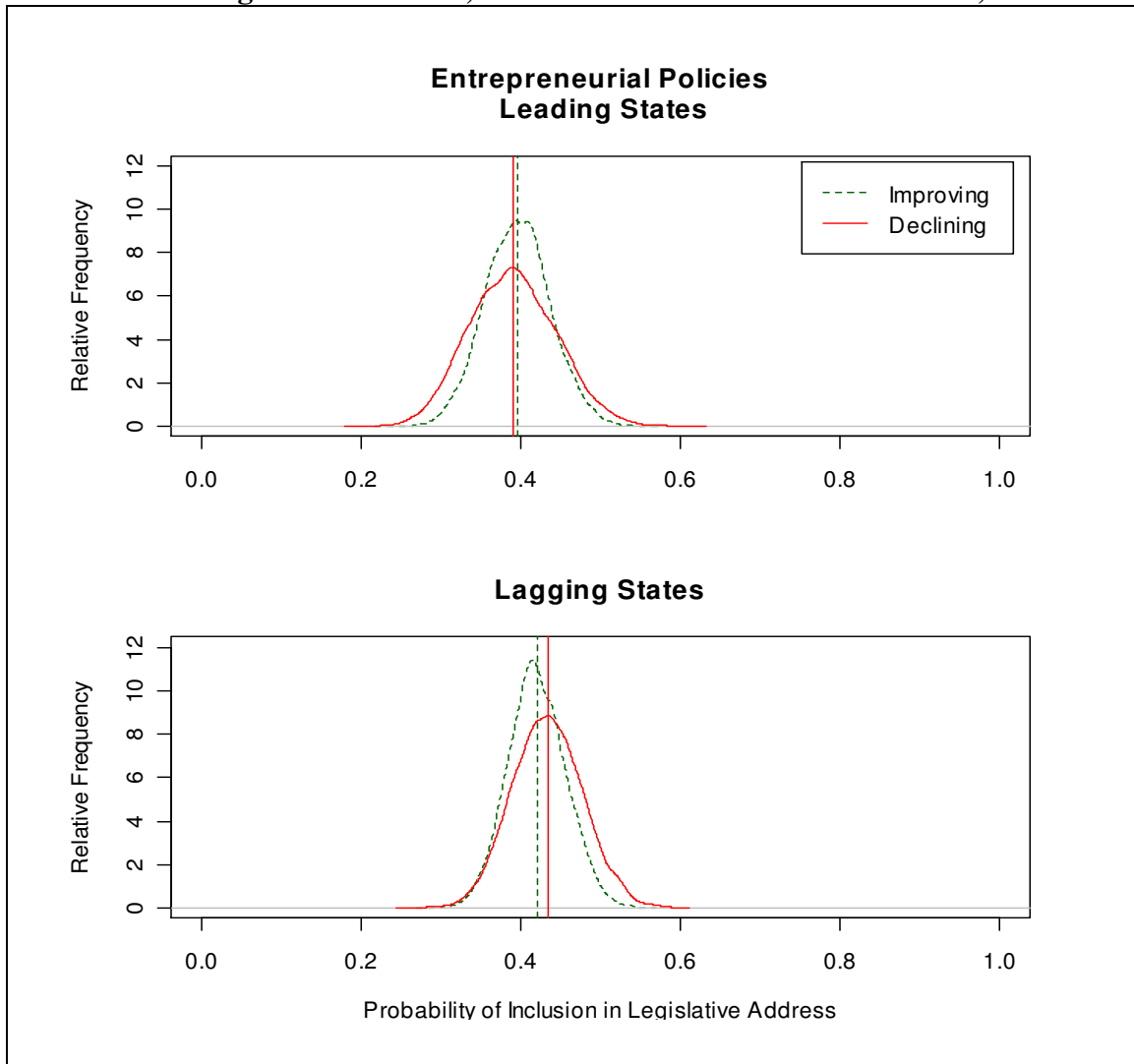
Figure 4.2: Predicted Probability that a Governor Will Include Traditional Policies in His Legislative Address, Conditional on Economic Conditions, 1997-2006



The results of the simulations predicting the inclusion of entrepreneurial policies are plotted in Figure 4.3. These results indicate that there is a probability of 39 to 40 percent, depending on whether the state is declining or improving, that a governor of a leading state will propose one or more entrepreneurial policies in his legislative address. For governors of lagging states, the probability is 42 to 43 percent. Comparing the predictions in the top and bottom panels of Figure 4.3 reveals that governors of lagging

states are only slightly more likely than governors of leading states to propose entrepreneurial economic development policies. Neither these differences nor the small differences between improving and declining states in each panel are statistically significant.

Figure 4.3: Predicted Probability that a Governor Will Include Entrepreneurial Policies in His Legislative Address, Conditional on Economic Conditions, 1997-2006



This analysis provides mixed support for my first hypothesis. As predicted in my first hypothesis, I find that governors of states that are lagging the nation in economic

performance are more likely to include traditional economic development proposals in their legislative addresses than governors of states that are leading the nation. Lagging economic performance does not, however, increase the probability that governors recommend entrepreneurial policies. I also find, contrary to my first hypothesis, that governors of states that are experiencing economic decline are no more likely to include either type of economic development policies in their legislative proposals than governors of states that are experiencing economic improvement.

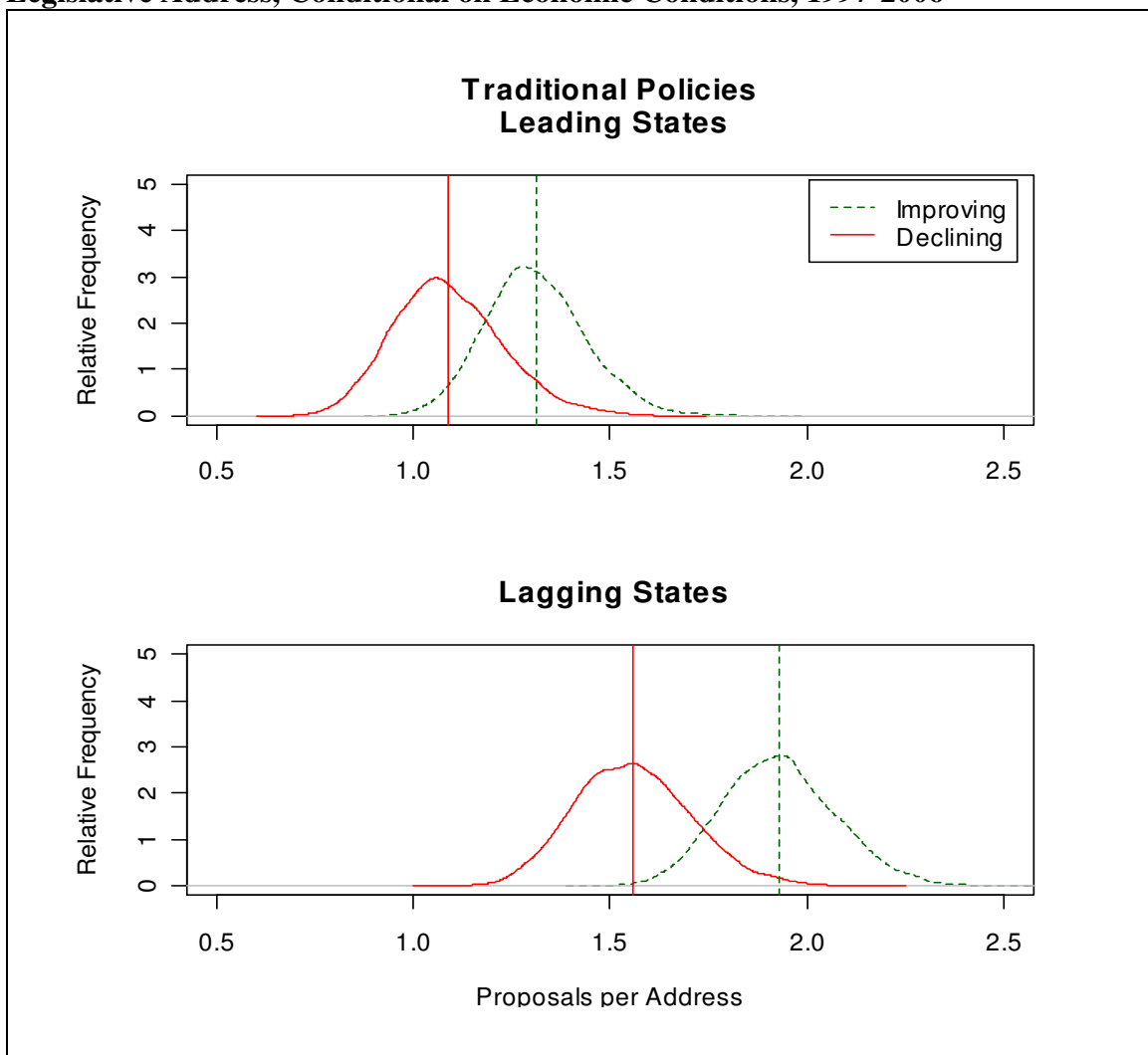
Because poor economic conditions in a state can reduce governors' public approval ratings and diminish their prospects of being reelected, I expect that poor economic performance will lead governors to devote a greater portion of their agenda to economic development policy (Atkeson and Partin 1995, p. 104; Hansen 1999, p. 177-78; Howell and Vanderleeuw 1990, p. 163-64; Niemi, Stanley, and Vogel 1995, p. 949; Partin 1995, p. 88). Based on this expectation, I formulated my second hypothesis:

Hypothesis 2: A governor will include a greater number of economic development proposals on his legislative agenda when economic conditions in a state are poor, than when conditions are good.

The results of the simulations conducted to test this hypothesis with respect to traditional policies are plotted in Figure 4.4. These simulations are based on the negative binomial regression results presented in Table A.3. The estimates plotted in the top panel indicate that governors of states that are leading the nation in economic performance are expected to propose approximately 1.1 to 1.3 traditional policies per legislative address, depending on whether their state's economy has improved or declined over the past year. The estimates for governors of states that are lagging in economic performance are

plotted in the bottom panel. Governors of these states are expected to recommend approximately 1.6 to 1.9 traditional policies per legislative address, or approximately 0.5 to 0.6 more proposals per address than governors of leading states. These differences in the predictions for governors of leading and lagging states are statistically significant at a confidence level exceeding 99 percent.

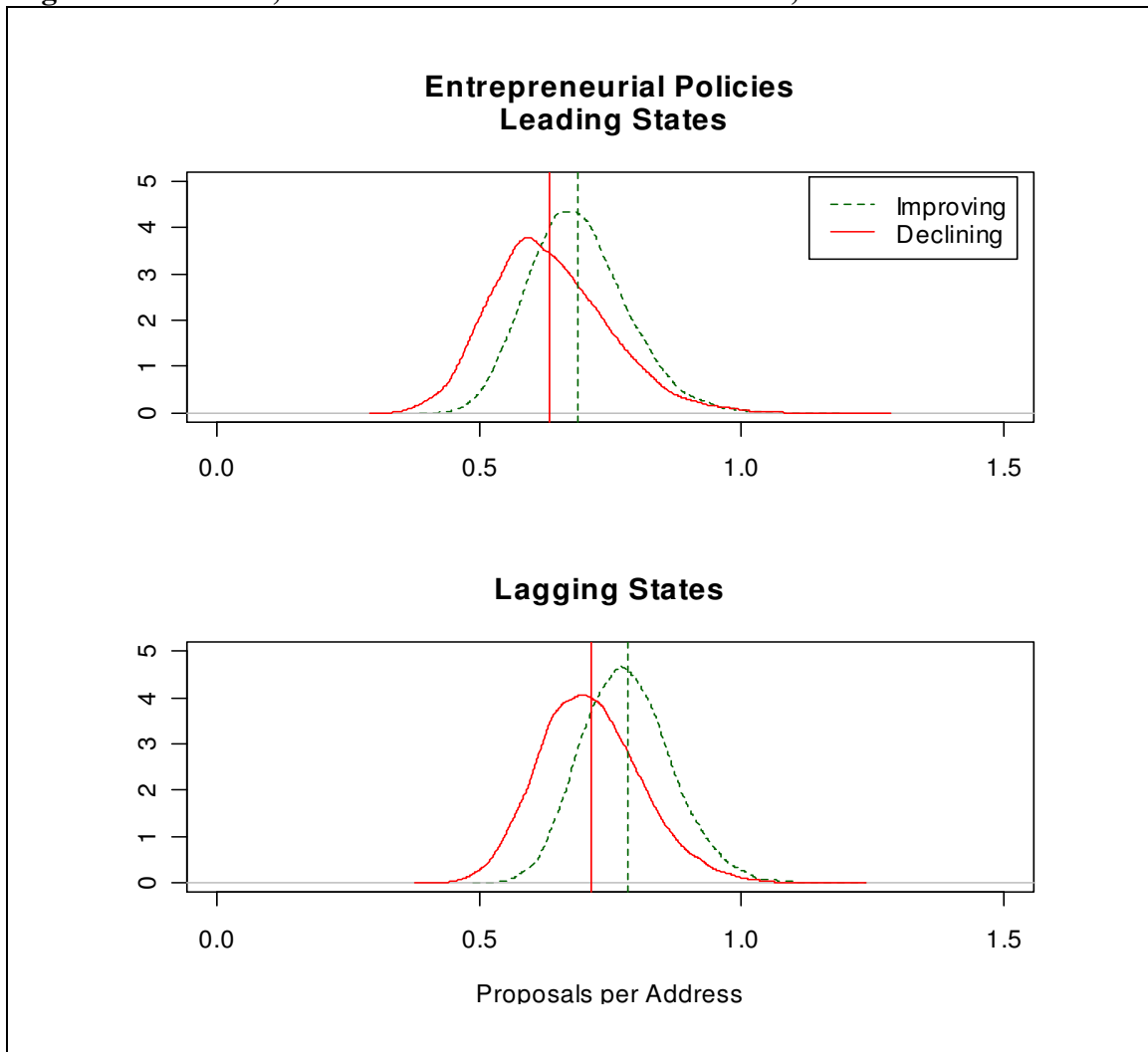
Figure 4.4: Predicted Number of Traditional Policies Included in a Governor's Legislative Address, Conditional on Economic Conditions, 1997-2006



Comparisons of the estimates plotted within each panel of Figure 4.4 indicate that governors of states that are experiencing economic improvement are expected to propose approximately 0.2 to 0.3 more traditional policies per address than governors of states that are experiencing declining economic conditions, depending on whether their state is leading or lagging. These predicted differences are statistically significant at a confidence level exceeding 99 percent.

The results of the simulations conducted to test my second hypothesis with respect to entrepreneurial policies are plotted in Figure 4.5. The plotted estimates indicate that, contrary to my hypothesis, a state's economic conditions have no significant influence on the number of entrepreneurial policies that a governor recommends to the legislature. Governors of leading and lagging states and improving and declining states all propose similar numbers of entrepreneurial policies (0.6 to 0.8 per legislative address). None of the differences are statistically significant.

Figure 4.5: Predicted Number of Entrepreneurial Policies Included in a Governor's Legislative Address, Conditional on Economic Conditions, 1997-2006



The simulation results presented in Figure 4.2 and Figure 4.4 indicate that governors respond to lagging economic performance in their states by recommending the adoption of traditional economic development policies. An inspection of the regression results presented in the appendix in Table A.2 and Table A.3 reveals that all three aspects of lagging economic performance – relatively high unemployment rates, relatively low wages, and relatively low rates of firm creation – increase both the probability that

governors will propose traditional economic development policies and the number of individual traditional policy recommendations they include in their legislative addresses. This finding provides evidence that governors recognize poor state economic performance as a condition that threatens both their public approval and their prospects for reelection. In an attempt to avoid these unfavorable consequences, they try to stimulate economic growth by recommending the enactment of traditional economic development policies.

The simulation results plotted in Figure 4.3 and Figure 4.5 indicate, however, that governors do not propose greater numbers of entrepreneurial policies in response to generally lagging economic performance. A close inspection of the negative binomial regression results presented in Table A.3 reveals that only one aspect of lagging economic performance, a relatively low firm creation rate, is associated with an increase in the number of entrepreneurial policies proposed by governors. The other two aspects of lagging performance, a relatively high unemployment rate and relatively low wages, are associated with fewer entrepreneurial policy proposals. The effects associated with these other two measures, however, are not statistically significant. An examination of the logistic regression results presented in Table A.2 shows that the unemployment rate is the only aspect of a state's relative economic performance that has any statistically significant effect on the probability that a governor advocates the adoption of entrepreneurial economic development policies. A relatively high unemployment rate, however, is associated with a lower probability that a governor proposes entrepreneurial policies, which is the opposite of the effect that I predicted. Similarly, the negative

binomial regression results presented in Table A.3 indicate that a relatively high unemployment rate is also associated with a reduction in the number of entrepreneurial policy proposals, although this effect is not statistically significant.

I conclude from this analysis that governors view traditional policies as suitable for improving generally poor economic conditions, but specifically target entrepreneurial policies at improving poor rates of firm creation. It is plausible that entrepreneurial policies are targeted in this way because entrepreneurial policies are intended to stimulate the creation of new business firms. These findings also lend support to the claims by several scholars that politicians support traditional economic development incentives because they provide them with opportunities to take credit for highly visible evidence of economic improvement, such as the opening of new factories that will employ many workers (Buss 1999, p. 351; Dewar 1998, p. 73-74; Loveridge 1996, p. 154; Noto 1991, p. 254; Wolman and Spitzley 1996, p. 130-31).

I am surprised to find that governors do not respond to economic decline within their states by including more economic development proposals on their legislative agendas. A decline in a state's economic performance has no significant effect on either the probability that a governor will propose entrepreneurial policies or the number of entrepreneurial proposals included in a governor's legislative address. Furthermore, governors appear to make fewer, rather than more, traditional policy proposals when state economic performance is declining.

These findings raise a question: Why would governors fail to respond to economic decline or respond by deemphasizing economic development in their

legislative programs? I suggest two related reasons for this behavior. First, the economic conditions in many states decline during national recessions. Consequently, when a state is in economic decline, voters in the state may believe it is caused by the national business cycle. Other empirical studies find that national economic conditions have a much smaller effect on gubernatorial approval ratings and election results than state economic conditions (Howell and Vanderleeuw 1990, p. 164-65; Partin 1995, p. 88). In other words, voters do not hold governors responsible for national economic conditions. If voters believe that their state's economic decline is caused by changes in national economic conditions, then they may believe it is a problem that is best addressed by changes in federal policies and may not expect their governor to take action. As a result, a governor may not try to fix a problem when voters do not blame him for it.

Second, during periods when the national economy is expanding, many states are likely to be simultaneously experiencing economic improvement and many businesses may be opening new facilities or expanding existing ones. During periods when many firms are considering plant construction and expansion, governors may propose new economic development incentives in an attempt to gain a competitive advantage over other states in the competition for these new facilities (Brace 1993, p. 118; Cohen and King 2004, p. 1269). This behavior would be an example of what Noto (1991) calls the "early-bird model" of interjurisdictional competition. In this model, public officials try to be the first to offer new economic development incentives so that their communities can benefit from them before others begin offering the same incentives (Noto 1991, p. 253). During economic recessions, on the other hand, there are few expanding businesses for

states to compete over, leading to a reduction in economic development policy proposals by governors.

The Influence of Gubernatorial Party Affiliation

According to my theory of gubernatorial policymaking, a governor will be more likely to propose policies that conform to his own preferences and to the preferences of his fellow party members than to propose policies that deviate from those preferences. Based on Boeckelman's (1996) findings, I assume that Republican governors will have a greater preference for traditional policies than Democratic governors because these policies provide aid to existing businesses, which are often important Republican supporters. I assume that Democratic governors will have a greater preference for entrepreneurial policies than Republicans because Democrats are more comfortable with the direct government intervention in the economy required by these policies (Boeckelman 1996, p. 347). These assumptions lead to the following two hypotheses:

Hypothesis 3: Republican governors will be more likely to include traditional economic development proposals on their legislative agendas than Democratic governors.

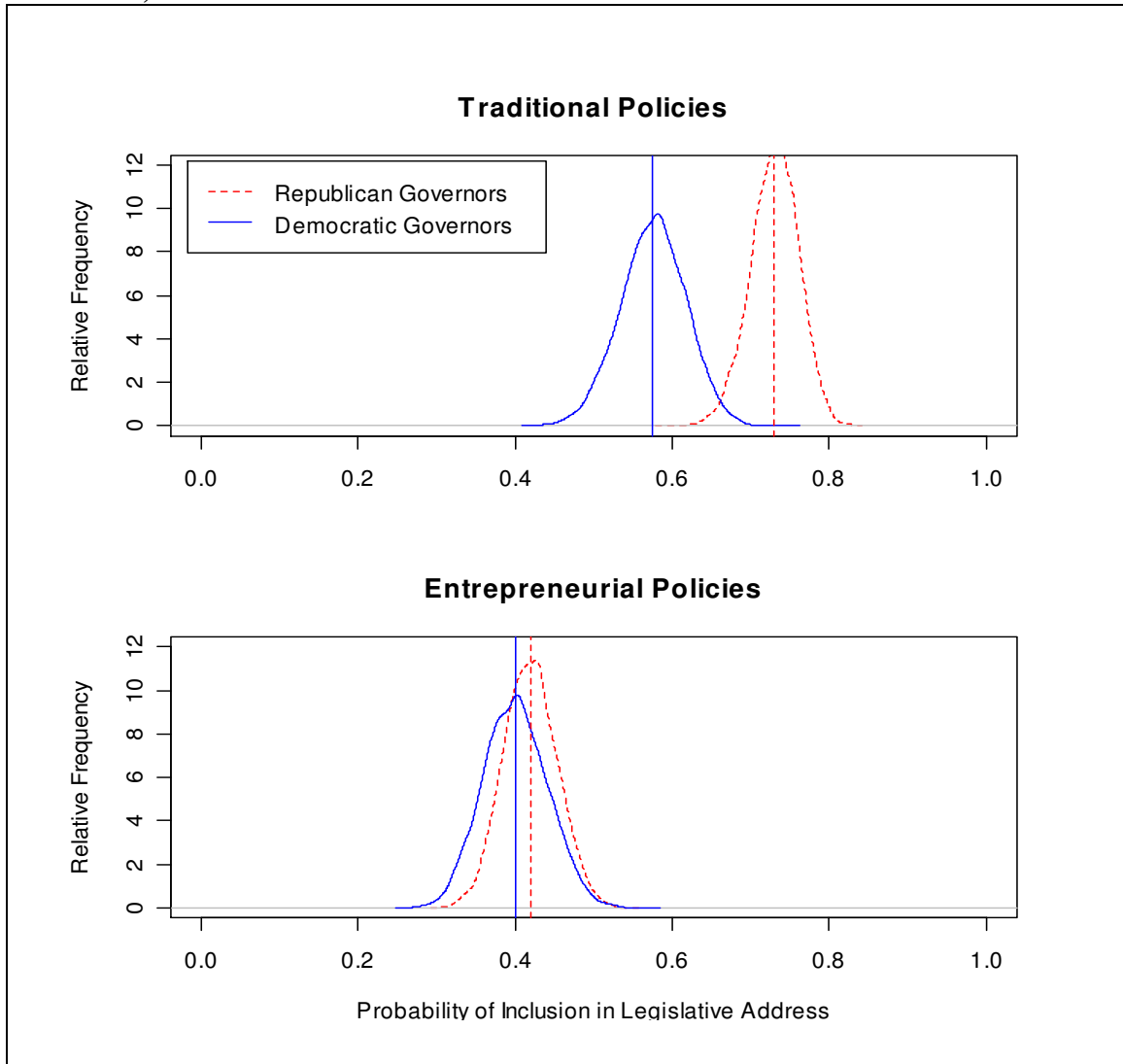
Hypothesis 4: Democratic governors will be more likely to include entrepreneurial economic development proposals on their legislative agendas than Republican governors.

The results of the simulations conducted to test my third and fourth hypotheses are plotted in Figure 4.6. The estimates plotted in the top panel indicate that there is a 73 percent probability that Republican governors will propose one or more traditional policies in their legislative addresses, while there is only a 58 percent probability that Democratic governors will propose at least one traditional policy under the same

conditions. The difference in probability of 15 percent between Republican and Democratic governors is statistically significant at a confidence level exceeding 99%.

This finding provides confirmation of my third hypothesis.

Figure 4.6: Predicted Probability that a Governor Will Include Traditional or Entrepreneurial Policies in His Legislative Address, Conditional on Party Affiliation, 1997-2006



The estimates plotted in the bottom panel of Figure 4.6 indicate that the probabilities that Republican or Democratic governors will propose one or more

entrepreneurial policies in their legislative addresses are nearly the same at approximately 41 percent. The slight difference in probability between Republican and Democratic governors is not statistically significant. Thus, I find no support for my fourth hypothesis.

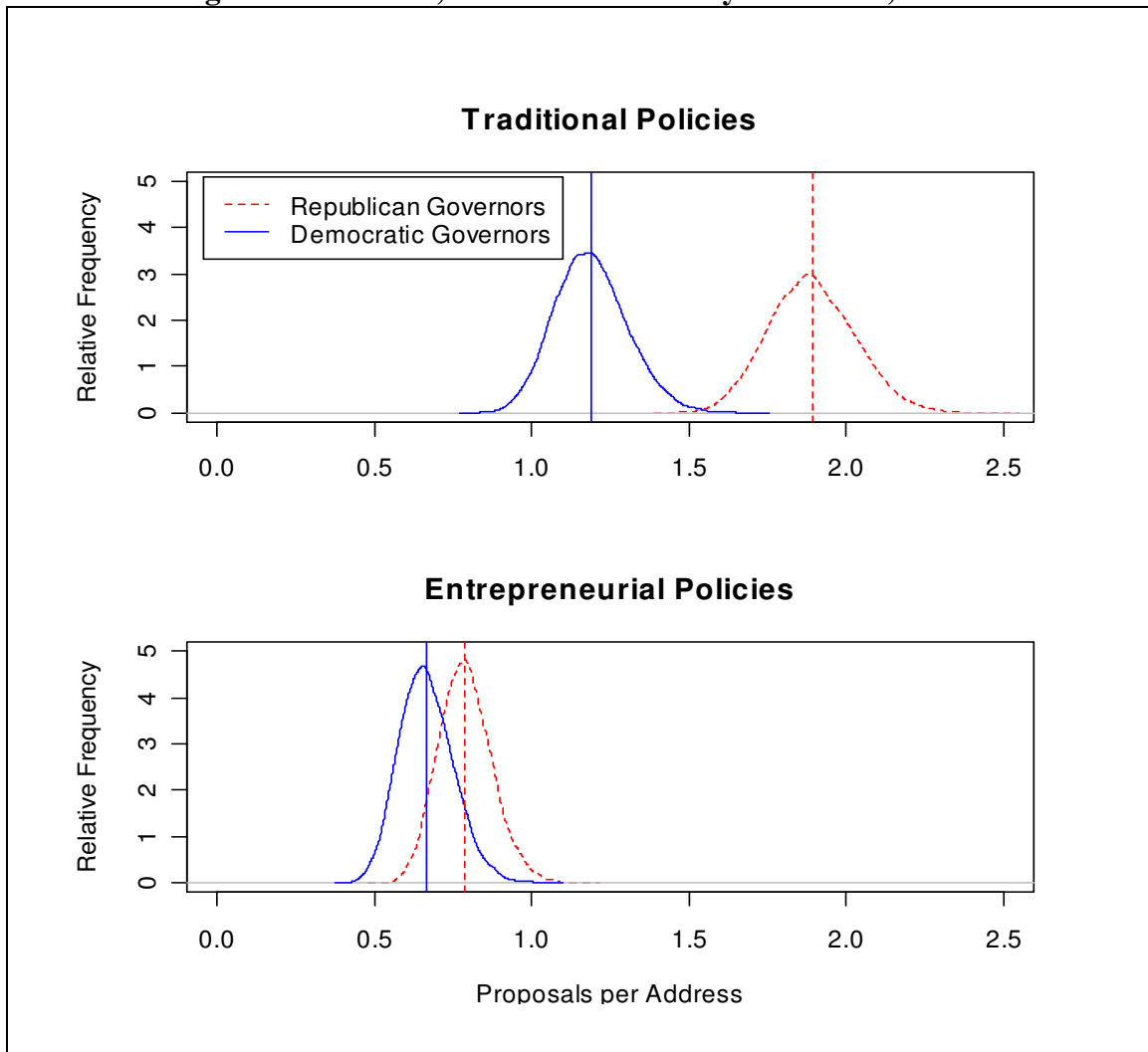
I assume that the party-related policy preferences found by Boeckelman (1996) will influence not only the probability that a governor will recommend a particular type of economic development policy, but also the number of individual policy proposals of each type that he includes in his legislative address. My assumptions about the relationship between gubernatorial party affiliation and the number of economic development policy recommendations are formally stated in two hypotheses:

Hypothesis 5: Republican governors will include a greater number of traditional economic development proposals on their legislative agendas than Democratic governors.

Hypothesis 6: Democratic governors will include a greater number of entrepreneurial economic development proposals on their legislative agendas than Republican governors.

Figure 4.7 presents the simulation results for testing these two hypotheses. The simulation results plotted in the top panel confirm that Republican governors are expected to propose more traditional policies than Democratic governors. Republican governors are expected to propose 1.9 traditional economic development policies per legislative address while Democratic governors are expected to propose only about 1.2 traditional policies per address. These simulations provide support for my fifth hypothesis because the predicted difference of approximately 0.7 proposals per address is statistically significant at a confidence level exceeding 99 percent.

Figure 4.7: Predicted Number of Economic Development Policies Included in a Governor's Legislative Address, Conditional on Party Affiliation, 1997-2006



The simulation results plotted in the bottom panel of Figure 4.7 indicate that Republican and Democratic governors are expected to propose very similar numbers of entrepreneurial proposals (approximately 0.75 per legislative address). The slight predicted difference is not statistically significant, thus failing to confirm my sixth hypothesis.

Republican and Democratic governors have different preferences regarding economic development policies, although the differences are not as clear-cut as I had predicted. Like Boeckelman (1996, p. 347), I find that Republican governors have a greater preference for traditional economic development policies than Democratic governors because they are more likely to recommend adoption of traditional economic development policies. I also find that they tend to make a larger number of individual recommendations when they propose these policies. Unlike Boeckelman (1996, p. 347), who finds that Democratic governors tend to recommend more entrepreneurial policies than Republicans, I find that governors of the two parties have similar preferences for these policies. Governors of each party are equally likely to recommend entrepreneurial policies and they tend to include similar numbers of these proposals in their legislative agendas when they recommend them.

Budgetary Conditions as a Constraint on Policy Choices

Because most economic development policies require either appropriations for implementation or reductions in future tax revenues, an unfavorable budget situation may constrain a governor's ability to recommend new economic development policies. According to my theory, a governor will find it much easier to justify proposals that create or expand economic development programs if state revenues are projected to grow rather than decline. Based on this prediction, I formulated the following hypothesis:

Hypothesis 7: Governors will include a greater number of economic development proposals on their legislative agendas when state revenues are increasing, than when revenues are flat or decreasing.

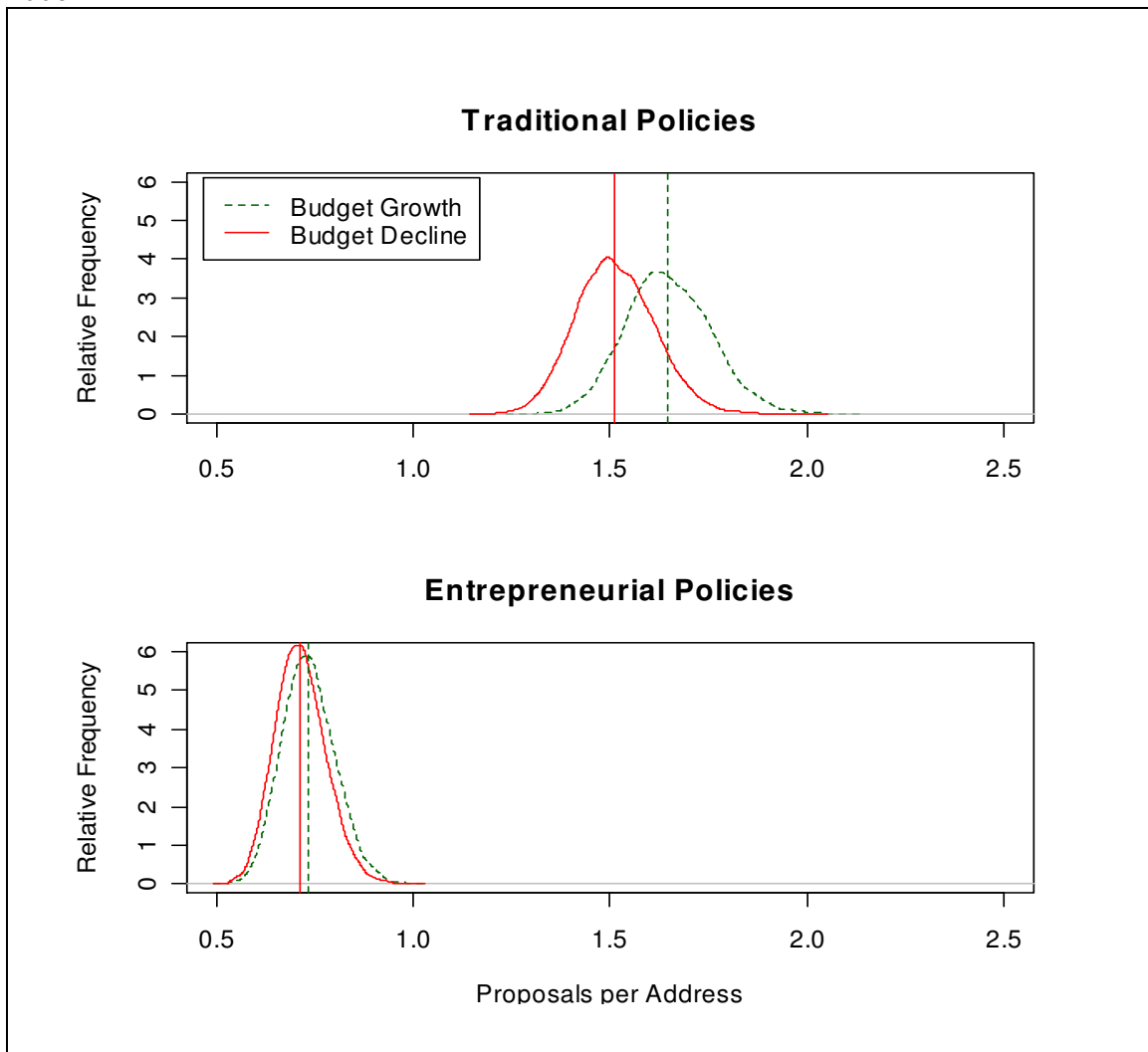
The simulation results provide little support for my seventh hypothesis. The predictions plotted in the top panel of Figure 4.8 indicate that governors of states experiencing budget growth are expected to propose more than 1.6 traditional policies per legislative address. Governors of states experiencing budget decline, however, are expected to propose only 1.5 traditional policies per address.¹⁸ Although governors with more budget resources at their disposal propose more traditional policies as predicted, the difference of less than 0.2 proposals per legislative address is not statistically significant.

The predictions plotted in the bottom panel of Figure 4.8 indicate that the amount of available budget resources has no effect on the number of entrepreneurial economic development policies proposed by governors. They are expected to recommend approximately 0.75 entrepreneurial policies per address under either growing or declining budgetary conditions. The very small predicted difference is not statistically significant.

Despite these results, an examination of the logistic model coefficients presented in Table A.2 reveals that a decline in budgetary resources results in a statistically significant reduction in the probability that a governor proposes any traditional policies at all. Consequently, I believe it would be incorrect to assert that budgetary resources have no substantive effect on governors' decisions about traditional economic development policies.

¹⁸ I modeled budget decline as a projected decrease in general fund revenues of 2.73% and budget growth as a projected increase of 2.45%. These values represent the 25th and 75th percentiles of projected change in available general fund revenues within my data.

Figure 4.8: Predicted Number of Economic Development Policies Included in a Governor's Legislative Address, Conditional on Projected Budget Growth, 1997-2006



My analysis also indicates that a state's budget condition affects the governor's traditional and entrepreneurial proposals differently. The logistic model coefficients presented in Table A.2 indicate that change in a state's budgetary resources has no statistically significant effect on the probability that its governor proposes one or more entrepreneurial policies. Thus, the results of my logistic regressions indicate that budgetary conditions affect only governors' decisions about traditional economic

development policies and not their entrepreneurial policy decisions. This pattern is mirrored in Figure 4.8. State budgetary resources have a substantive, although not statistically significant effect on traditional policy proposals, but they have no effect on entrepreneurial proposals.

This finding raises an interesting question: Why would state budgetary resources affect governors' decisions about traditional policies, but not decisions regarding entrepreneurial policies? I argue that the difference may be a result of the different demands that the two types of policies place on a state's finances. When a state funds an entrepreneurial economic development program, the financial obligation is usually close-ended. For example, if a state undertakes a program to fund university research about a specific technology, it appropriates a fixed amount of money for the program within the state budget. Once those funds are expended, continuing the program requires another appropriation and the governor and other policymakers have an opportunity to evaluate whether the program's results justify devoting additional resources to it. The financial obligation for traditional programs, on the other hand, is often open-ended. If, for example, a state reduces the corporate income tax rate, then the tax reduction becomes a feature of the state's tax code that continues in effect until the governor and legislature act to change it. The results of my analysis indicate that the ongoing financial obligations associated with traditional policies make governors reluctant to propose them during periods of unfavorable budget conditions.

Citizen Liberalism as a Constraint on Policy Choices

According to my theory, governors will be constrained by the policy preferences of their states' citizens. Governors of states with a large proportion of conservative citizens will propose more policies that are favored by conservatives. Governors of states with a large proportion of liberal citizens, on the other hand, will propose more policies favored by liberals. I assume that conservatives prefer traditional economic development programs because they favor the tax cuts and deregulatory policies that are associated with them. Liberal citizens, on the other hand, will have a greater preference for entrepreneurial policies because they are more comfortable with the more active governmental intervention associated with these policies. These assumptions lead to the following hypotheses:

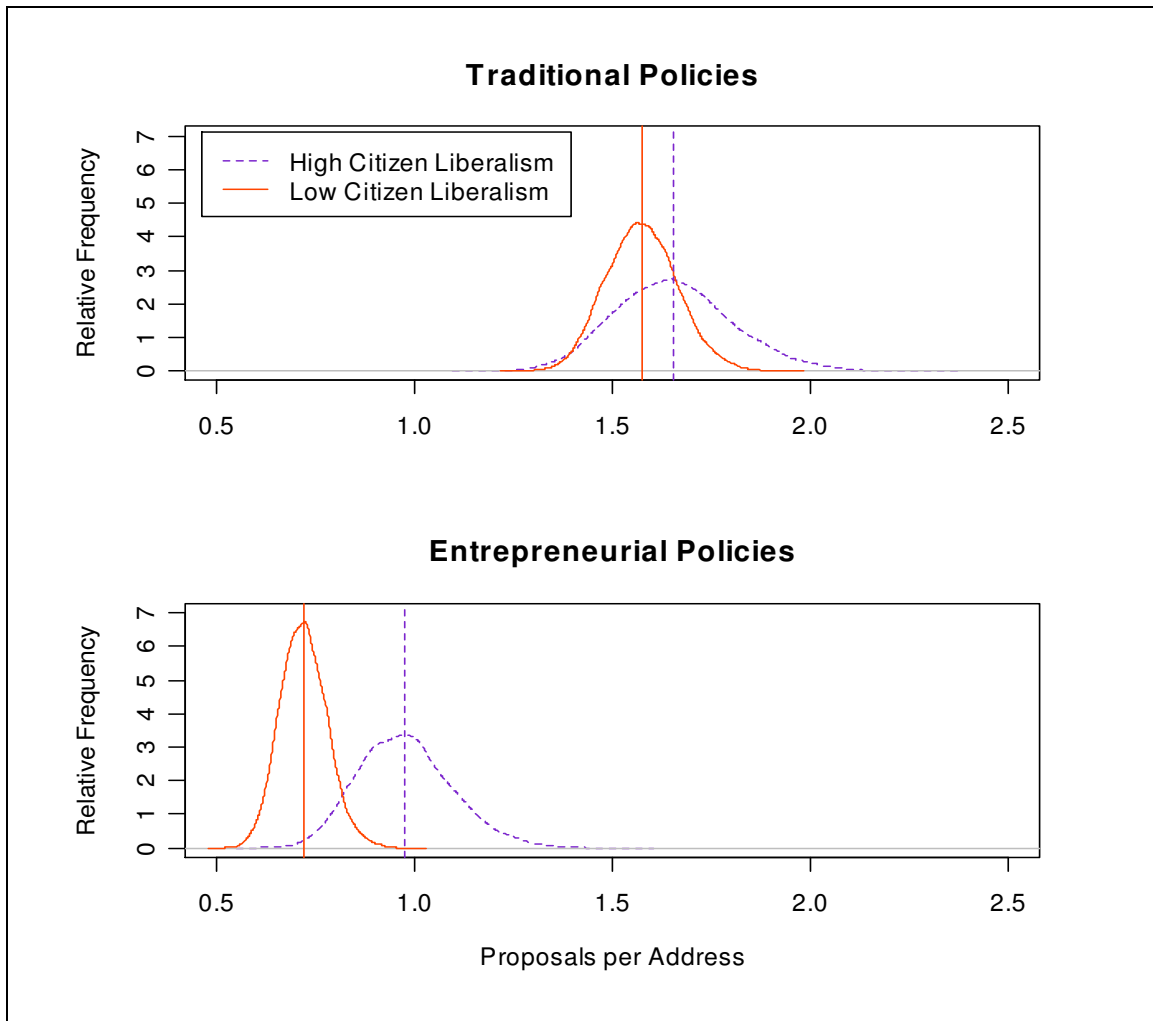
Hypothesis 8: Governors of states with low levels of citizen liberalism will include a greater number of traditional economic development proposals on their legislative agendas than governors of states with high levels of citizen liberalism.

Hypothesis 9: Governors of states with high levels of citizen liberalism will include a greater number of entrepreneurial economic development proposals on their legislative agendas than governors of states with low levels of citizen liberalism.

My simulation results indicate that the level of citizen liberalism in a state affects the number of entrepreneurial economic development policies recommended by its governor, but not the number of traditional policies. The predictions plotted in the top panel of Figure 4.9 indicate that governors of states with either high or low levels of citizen liberalism are expected to propose similar numbers of traditional policies

(approximately 1.6 per legislative address).¹⁹ The small predicted difference is not statistically significant.

Figure 4.9: Predicted Number of Economic Development Policies Included in a Governor’s Legislative Address, Conditional on Mean Citizen Liberalism, 1997-2006



The predictions plotted in the bottom panel of the figure indicate that governors of states with high levels of citizen liberalism are expected to propose almost 1.0 entrepreneurial policy per legislative address. Governors of states with low levels of

¹⁹ I modeled low and high citizen liberalism as the 25th and 75th percentiles of mean citizen liberalism within my data.

citizen liberalism, however, are expected to propose approximately 0.7 entrepreneurial policies per address. The predicted difference of almost 0.3 proposals per legislative address is statistically significant at a confidence level exceeding 99 percent, thus confirming my ninth hypothesis.

These findings raise an important question: Why would citizen ideology affect governors' entrepreneurial economic development policy proposals, but not their traditional proposals? This difference may be explained by the role of site location consultants in the business site selection process. Site location consultants first began assisting manufacturing firms that were expanding or relocating in the 1930s (Markusen and Nesse 2007, p. 11). These consultants assist mobile businesses in lobbying state and local governments for concessions, such as those provided by traditional economic development policies. Furthermore, a site location consultant can approach multiple state governments on behalf of a business firm, even if an optimal location has already been selected. They can then use the resulting competition between the states to ensure that the firm is able to extract the maximum possible concessions from the government at the preferred location. Scholars who study industrial location decisions contend that these activities of site location consultants create a perception among state government officials that offering financial and tax concessions is required to successfully compete for business investment (Markusen and Nesse 2007, p. 12; Thomas 2007, p. 43). The influence of these consultants on states' economic development policies may be forceful and pervasive enough to outweigh the influence of citizen preferences. Site location consultants do not play the same role in decisions about entrepreneurial policies,

however, which may allow citizen preferences to exert greater influence on gubernatorial policies.

State Political Culture and Policy Choices

I assume that a governor's choices about public policy may be constrained by longstanding traditions within a state about what constitutes appropriate governmental action. These traditions are referred to as a state's political culture (Elazar 1984, p. 114-15). Elazar (1984) identifies three state political cultures within the United States: individualistic, moralistic, and traditionalistic (p. 115). In Chapter 2, I formulated two hypotheses regarding the influence of a state's political culture on the economic development policies proposed by its governor:

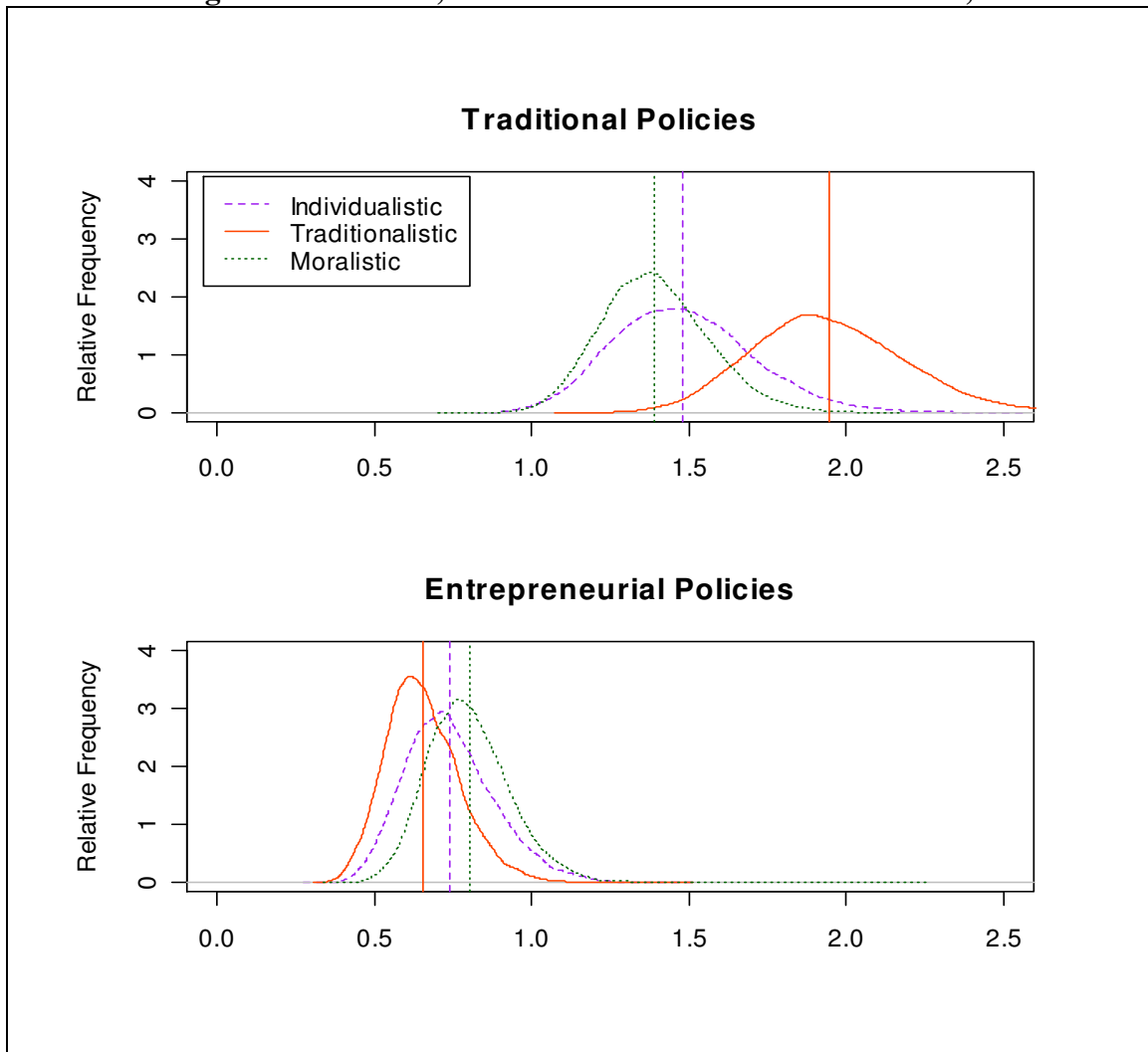
Hypothesis 10: Governors of states with individualistic or traditionalistic political cultures will include a greater number of traditional economic development proposals on their legislative agendas than governors of states with moralistic political cultures.

Hypothesis 11: Governors of states with moralistic political cultures will include a greater number of entrepreneurial economic development proposals on their legislative agendas than governors of states with individualistic or traditionalistic political cultures.

The results of my analysis show that state political cultures influence the economic development policies recommended by governors, although this influence is not as extensive as I predicted. I find that governors of traditionalistic and moralistic states recommend different economic development policies, but that there are no statistically significant differences between proposals made by governors of individualistic and moralistic states.

The simulation results for testing these hypotheses are plotted in Figure 4.10. The predictions plotted in the top panel indicate that governors of states with traditionalistic political cultures are expected to propose approximately 1.9 traditional policies per legislative address. Governors of moralistic states are expected, however, to propose only 1.4 policies per address. This predicted difference of 0.5 policies per address is statistically significant at a confidence level of 90 percent. Although this finding provides

Figure 4.10: Predicted Number of Economic Development Policies Included in a Governor's Legislative Address, Conditional on State Political Culture, 1997-2006



only partial support for my tenth hypothesis, it is in accordance with the findings of Boeckelman (1991) and Hanson (1991). They each found that states with traditionalistic political cultures tend to rely more heavily on traditional economic development policies than states with moralistic or individualistic political cultures (Boeckelman 1991, p. 57; Hanson 1991, p. 79).

The predictions plotted in the bottom panel of the figure indicate that governors of states with moralistic political cultures are expected to propose approximately 0.8 entrepreneurial policies per legislative address. As predicted by my eleventh hypothesis, governors of traditionalistic and individualistic states are expected to propose fewer entrepreneurial policies than governors of moralistic states. The predicted differences between, however, are not statistically significant. The lack of significant differences between states with different political cultures may be an indication that the migration of people from one state to another has lessened some of the differences among states since Elazar last classified state political cultures in 1984 (Hanson 1992, p. 376).

Divided Government as a Constraint on Policy Choice

I assume that Republican legislators share the economic development policy preferences of Republican governors and that Democratic legislators share the preferences of Democratic governors. As a result of these shared preferences, I hypothesize that during periods of unified government governors will propose a greater number of their preferred policies than during periods of divided government. Stated formally, these hypotheses are:

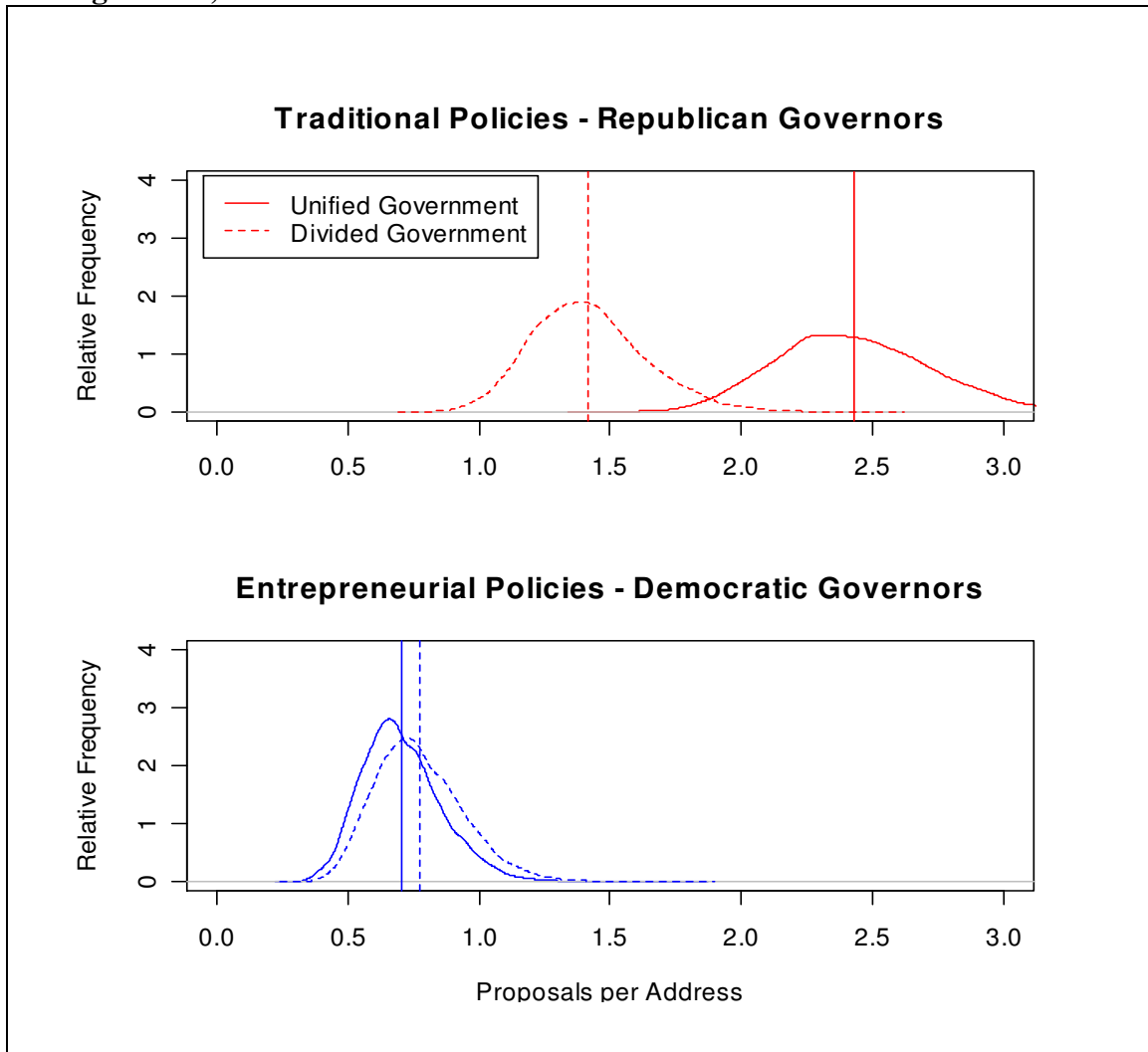
Hypothesis 12: A Republican governor will include a greater number of traditional economic development proposals on his legislative agenda during periods of unified government than during periods of divided government.

Hypothesis 13: A Democratic governor will include a greater number of entrepreneurial economic development proposals on his legislative agenda during periods of unified government than during periods of divided government.

I find evidence that Republican governors are constrained by divided government as I predict in my twelfth hypothesis. The predictions plotted in the top panel of Figure 4.11 demonstrate that Republican governors are expected to propose more than 2.4 traditional economic development policies per legislative address during periods of unified government, but only 1.4 per address during periods of divided government. This predicted difference of more than 1.0 traditional proposal per address is statistically significant at a confidence level exceeding 99 percent.

I find no evidence, however, that Democratic governors are constrained by divided government as I predict in my thirteenth hypothesis. The simulation results plotted in the bottom panel of Figure 4.11 indicate that Democratic governors are expected to propose approximately 0.7 entrepreneurial proposals per legislative address during either unified or divided government. The slight predicted difference is not statistically significant, thus failing to confirm my hypothesis.

Figure 4.11: Predicted Number of Preferred Economic Development Policies Included in a Governor's Legislative Address, Conditional on Partisan Control of the Legislature, 1997-2006



This lack of a constraint provides additional evidence that Democratic and Republican politicians do not have different preferences with regard to entrepreneurial economic development as I predicted. The simulation results plotted earlier in Figure 4.6 indicate that Democratic and Republican governors have similar preferences for entrepreneurial policies because they are expected to recommend about the same number of them per legislative address, when all other influences are held constant. If Republican

legislators have preferences for entrepreneurial policies that are similar to those of Democratic legislators, then Democratic governors would have no reason to propose fewer entrepreneurial policies during periods of divided government than during periods of unified government.

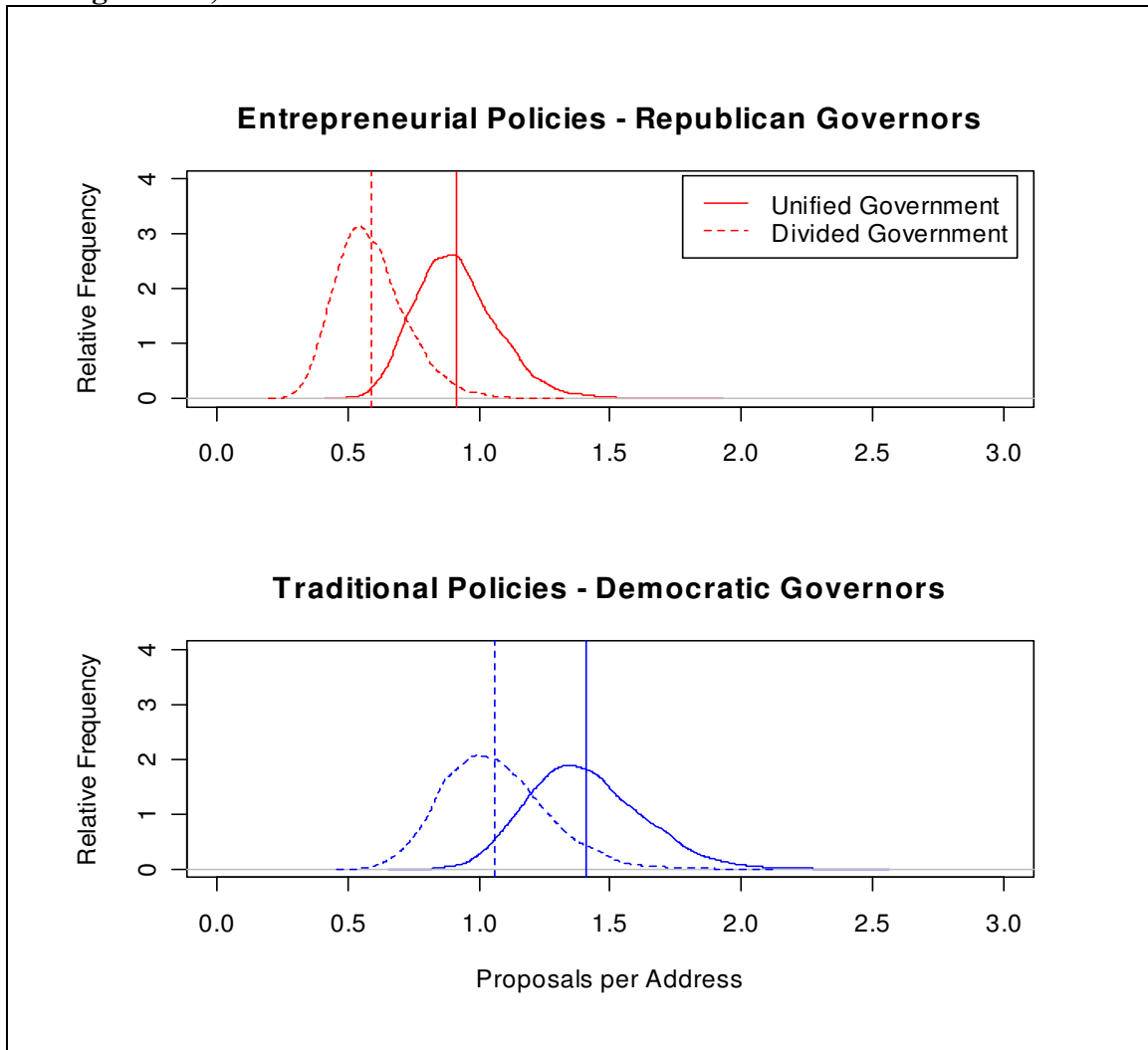
Governors' expectations of legislative success are lower during periods of divided government than during periods of unified government. In order to increase their prospects of legislative success, I predict that during periods of divided government, governors will propose a greater number of economic development policies of the type preferred by the opposition party than they would propose if their own party members controlled the legislature. This prediction leads to the following hypotheses:

Hypothesis 14: A Republican governor will include a greater number of entrepreneurial economic development proposals on his legislative agenda during periods of divided government than during periods of unified government.

Hypothesis 15: A Democratic governor will include a greater number of traditional economic development proposals on his legislative agenda during periods of divided government than during periods of unified government.

The predictions plotted in the top panel of Figure 4.12 indicate that Republican governors are expected to propose approximately 0.9 entrepreneurial economic development policies per legislative address during periods of unified government, but only 0.6 per address during periods of divided government. This finding is contrary to my fourteenth hypothesis. This predicted difference, however, is not statistically significant.

Figure 4.12: Predicted Number of Non-Preferred Economic Development Policies Included in a Governor's Legislative Address, Conditional on Partisan Control of the Legislature, 1997-2006



The simulation results plotted in the bottom panel of Figure 4.12 indicate that Democratic governors are expected to propose approximately 1.4 traditional economic development policies per legislative address during periods of unified government, but only about 1.1 per address during periods of divided government. In my fifteenth hypothesis, I had predicted that Democratic governors would propose more traditional

policies during periods of divided government than during periods of unified government. This predicted difference is not, however, statistically significant.

These findings suggest that during periods of divided government governors do not adopt the strategy of accommodating the opposition party that I had predicted. Rather than proposing a greater number of the policies that are preferred by the opposition party, governors may attempt to set themselves apart from the opposition by proposing fewer of those policies. These findings may also indicate that governors recognize that unified government provides a favorable environment for passing their legislative proposals, which allows them to expand their economic development agendas by including greater numbers of both types of policies.

State Business Climates and Interjurisdictional Competition

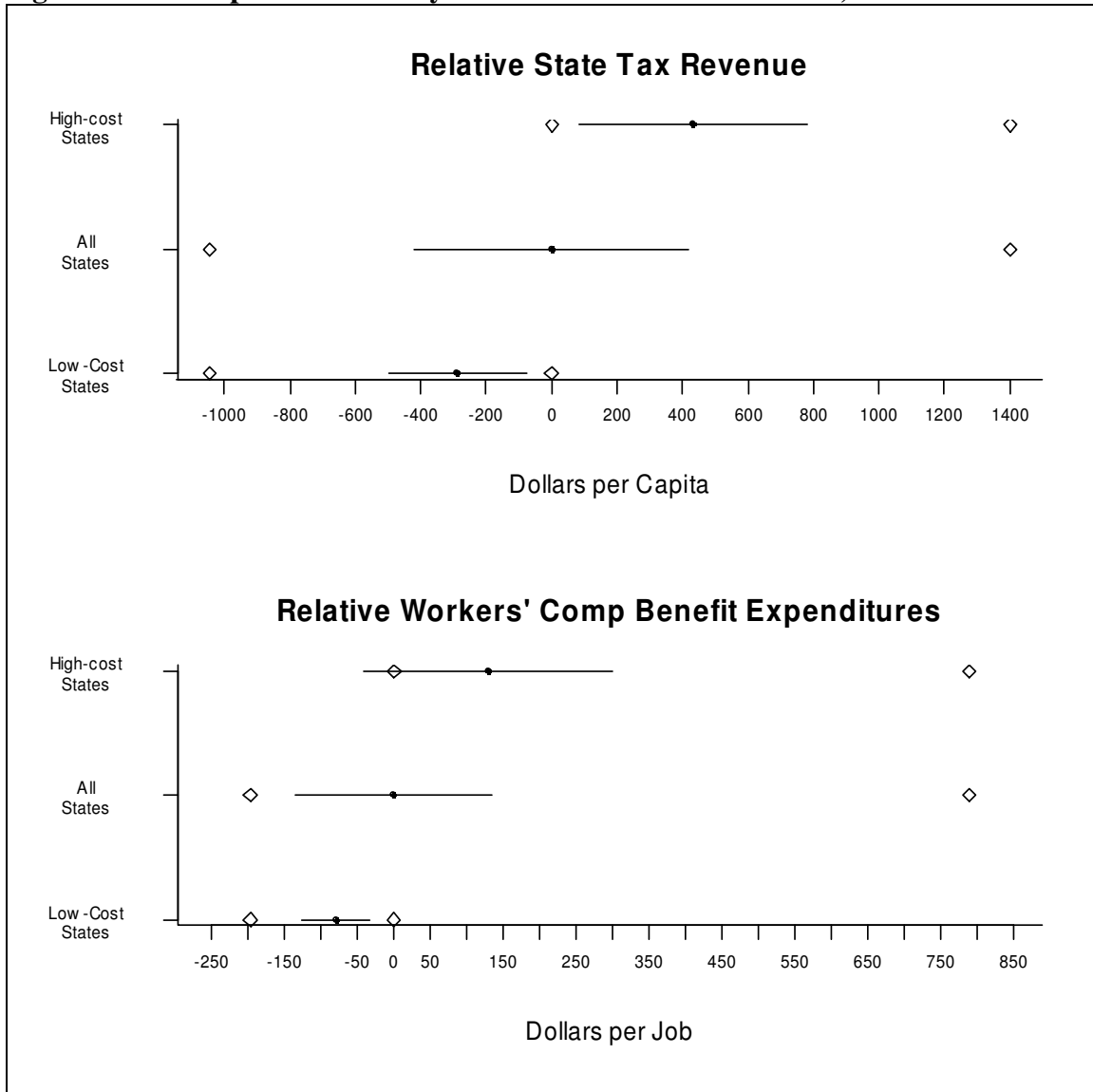
In Chapter II, I predicted that interjurisdictional competition would lead governors of states with high-cost business climates to propose traditional economic development policies in order to lower the cost of doing business in their states. This cost-cutting strategy allows them to better compete for business investments with low-cost states. I stated this expectation in my sixteenth hypothesis:

Hypothesis 16: Governors of states with high-cost business climates will include a greater number of traditional economic development policies on their legislative agendas than governors of states with low-cost business climates.

I define a state as having a high-cost business climate in a given year if its state tax revenues and workers' compensation benefits are both greater than the national average. A state is defined as having a low-cost business climate if it has below average values on both measures.

Figure 4.13 presents a graphical display of the mean, standard deviation, minimum and maximum for both of the business climate variables for high-cost states, low-cost states, and all states. These mean values will be used in computer simulations to

Figure 4.13: Graphical Summary of Business Climate Variables, 1996-2005



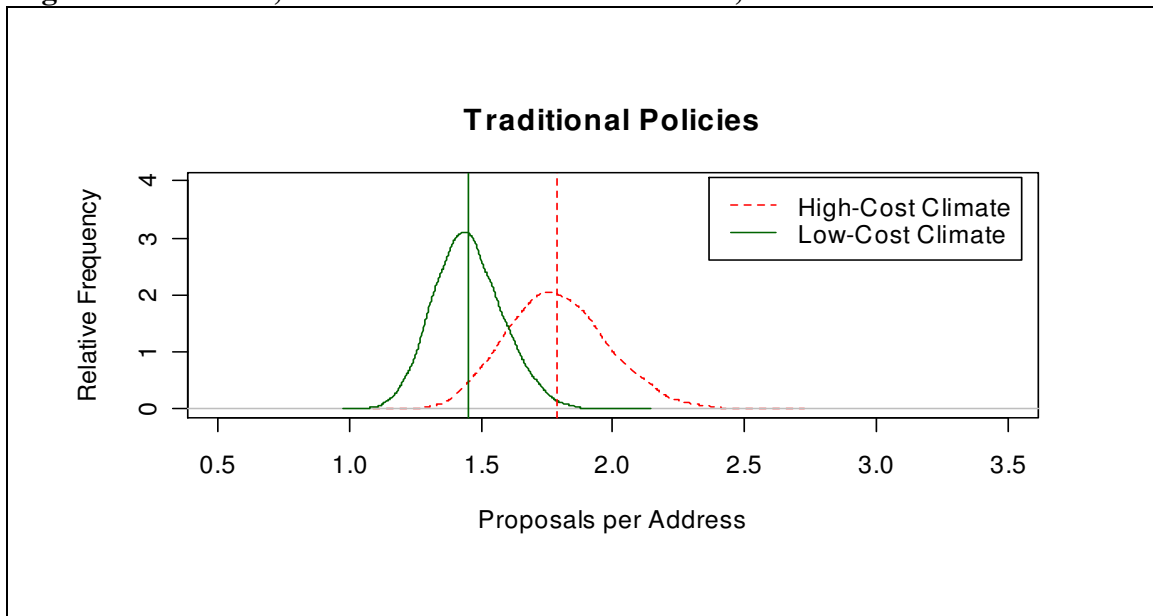
Note: Mean values are indicated by a small black dot; solid lines indicate standard deviations; diamond symbols indicate maximum and minimum values.

estimate the influence of a state's business climate on the economic development policies that its governor proposes to the state legislature.

An inspection of the upper panel of Figure 4.13 reveals that the average high-cost state has per capita state tax revenue that exceeds the national average of \$2,078 by about \$434, or about 21 percent. The average low-cost state, on the other hand, has per capita state tax revenue that is \$288, or about 14 percent, below the national average. The lower panel of Figure 4.13 illustrates that high-cost states have workers' compensation expenses that exceed the national average of \$319 per job by about \$130, or about 41 percent. The expense in low-cost states is approximately \$79 per job, or about 25 percent, below the national average. I use these average values in my simulations to predict the influence of state business climates on governors' economic development policy recommendations.

The simulation results plotted in Figure 4.14 indicate that governors of high-cost states propose more traditional economic development policies than governors of low-cost states. Governors of states with higher than average tax revenues and workers' compensation costs are expected to propose almost 1.8 traditional economic development policies per legislative address, compared to less than 1.5 traditional policies proposed by governors of states with low-cost business climates. This predicted difference of 0.3 traditional policies per address is not, however, statistically significant.

Figure 4.14: Predicted Number of Traditional Policies Included in a Governor's Legislative Address, Conditional on Business Climate, 1997-2006



Although my simulation results do not demonstrate that a state's overall business climate affects the number of traditional policies proposed by the governor, an examination of the negative binomial regression coefficients presented in Table A.3 reveals that one component of a state's business climate – workers' compensation expenditures – has a significant influence on traditional policy proposals. This finding supports the idea that traditional economic development policies are intended to lower the cost of doing business in a state.

Economic Development Policy to Expand Entrepreneurial Resources

When describing my theory in Chapter II, I suggested that interjurisdictional competition would influence governors' decisions about entrepreneurial economic development policies. Specifically, I stated the following hypothesis:

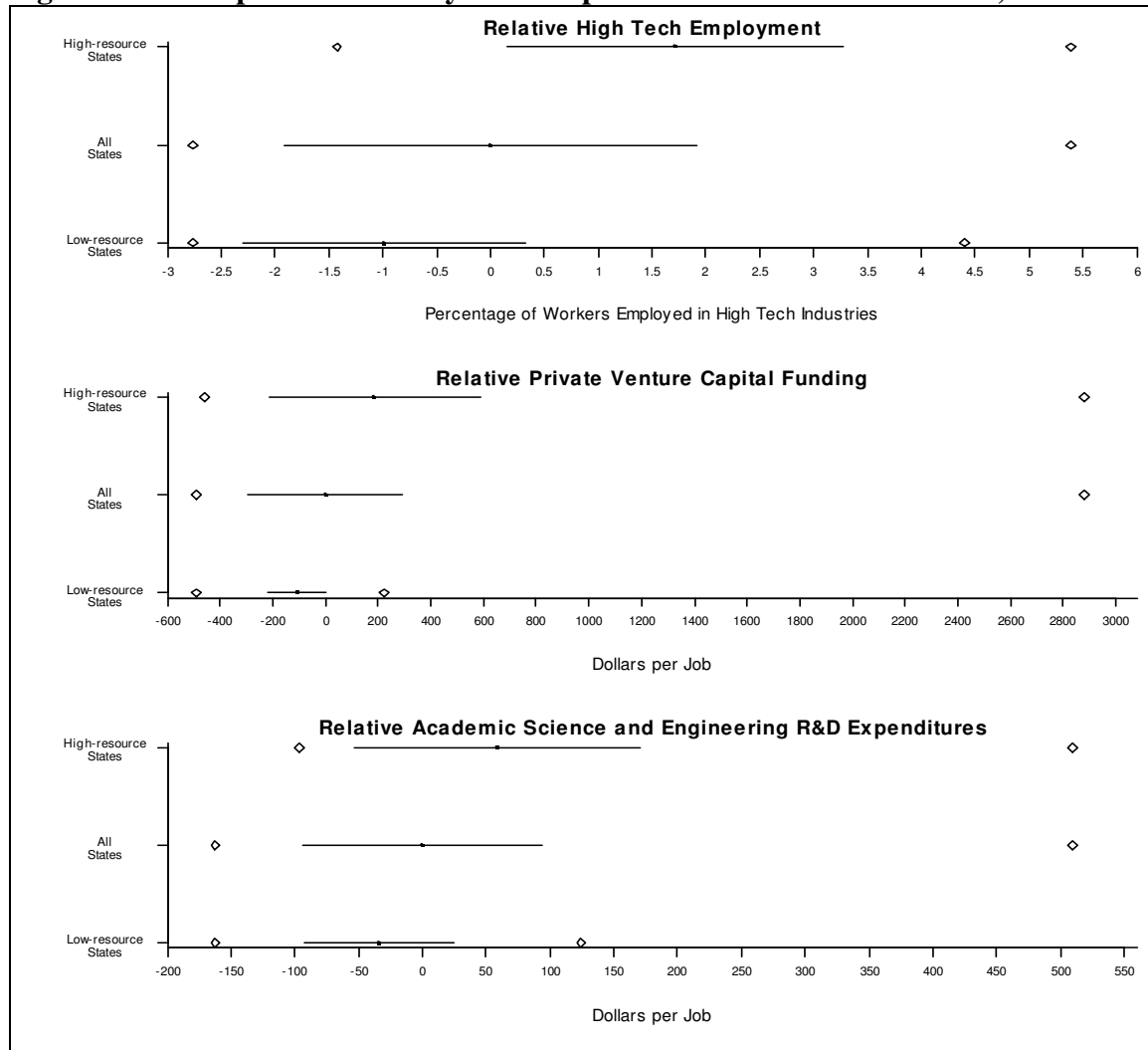
Hypothesis 17: Governors of states with few entrepreneurial resources will include a greater number of entrepreneurial economic development policies on

their legislative agendas than governors of states with abundant entrepreneurial resources.

I define a state as having a high level of entrepreneurial resources in a given year if it exceeds the average for all states in at least two of my three measures of entrepreneurial resources. I define a state as having a low level of entrepreneurial resources if it is below average in at least two of the three measures.

Figure 4.15 presents a graphical display of the mean, standard deviation, minimum and maximum for each of the entrepreneurial resource variables for high-resource states, low-resource states, and all states. I use these mean values in computer simulations to estimate the influence of a state's entrepreneurial resources on its governor's economic development proposals.

Figure 4.15: Graphical Summary of Entrepreneurial Resource Variables, 1996-2005



Note: Mean values are indicated by a small black dot; solid lines indicate standard deviations; diamond symbols indicate maximum and minimum values.

An inspection of the upper panel of Figure 4.15 reveals that there is a fairly large difference in high-tech employment between high- and low-resource states. High-tech employment in the average high-resource state exceeds the national average of 4.1 percent by 1.7 percentage points, while low-resource states fall below the national average by about one percentage point.

An examination of the middle panel of Figure 4.15 reveals that the distribution of venture capital funding is skewed by the very high levels of private venture capital funding that exist in a handful of states, such as California, New York, and Massachusetts. In other words, the mean value for all states, \$158 per job, is much closer to the minimum value than to the maximum. There is a large difference in venture capital funding between high- and low-resource states. High-resource states experience private venture capital funding that exceeds the national average by approximately 119 percent, or \$188 per job. In low-resource states, on the other hand, venture capital funding falls short of the national average by 67 percent, or more than \$107 per job.

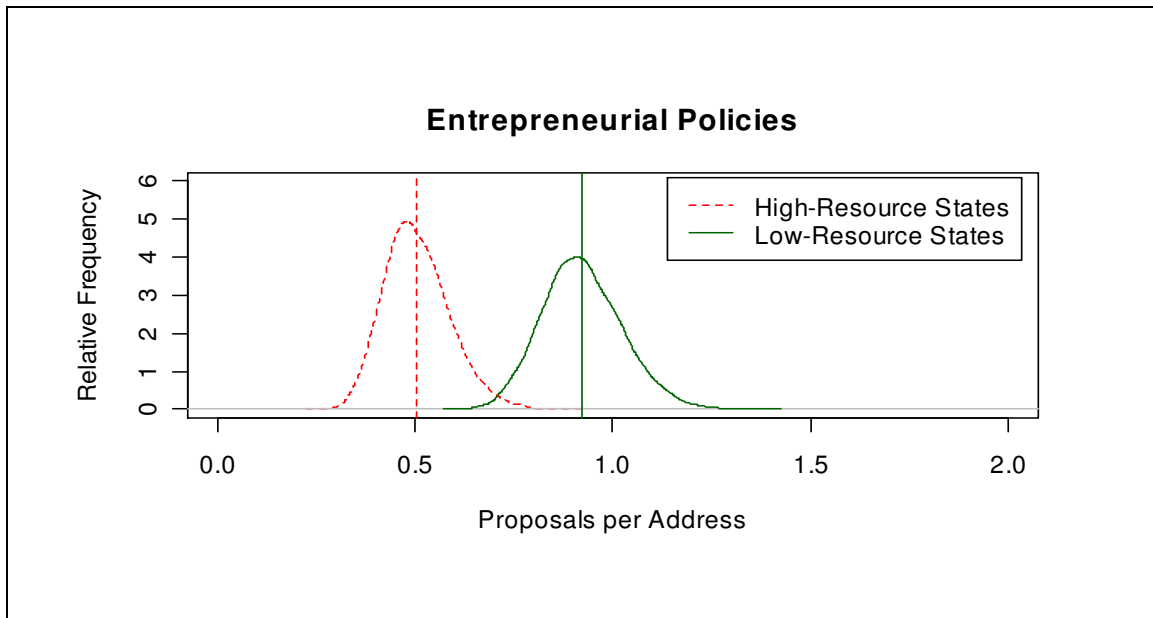
Examining the lower panel of Figure 4.15 reveals that the distribution of academic research and development expenditures in science and engineering is also skewed. Academic research and development spending in high-resource states exceeds the national average by more than \$58 per job. In low-resource states it falls short of the national average by more than \$33 per job. These differences represent 26 percent and 15 percent of the national average of \$223 per job.

The simulation results plotted in Figure 4.16 confirm that governors of low-resource states propose more entrepreneurial economic development policies than governors of states with abundant entrepreneurial resources. Governors of states with lower than average entrepreneurial resources are expected to propose more than 0.9 entrepreneurial economic development policies per legislative address, compared to approximately 0.5 entrepreneurial policies by governors of states with higher than average entrepreneurial resources. This predicted difference of more than 0.4

entrepreneurial policies per address is statistically significant at a confidence level exceeding 95 percent. These findings provide support for my seventeenth hypothesis.

These findings lend additional support to my earlier claim that governors use entrepreneurial policies to address particular deficiencies within their states, rather than as a response to generally poor economic conditions. An inspection of the coefficients in Table A.3 reveals that lower than average levels of all three entrepreneurial resources – high tech employment, venture capital funding, and academic research and development spending – are associated with an increase in entrepreneurial policy advocacy by a state’s governor.

Figure 4.16: Predicted Number of Entrepreneurial Policies Included in a Governor’s Legislative Address, Conditional on Entrepreneurial Resources, 1997-2006



The Influence of Neighboring States' Business Climates

In Chapter II, I suggested that interjurisdictional competition would lead governors to pay particular attention to the business climates of neighboring states when making decisions about traditional economic development policies. Specifically, I stated:

Hypothesis 18: Governors of states with higher-cost business climates than their neighboring states will include a greater number of traditional economic development policies on their legislative agendas than governors of states with lower-cost business climates.

I use my business climate variables to create additional variables measuring the average business climate of each state's neighbors. I define the relative per capita state tax revenue of a state's neighbors as the arithmetic mean of the relative per capita state tax revenues of all states sharing a border with the state.²⁰ Similarly, I define the relative workers' compensation expenditures of a state's neighbors as the arithmetic mean of the relative workers' compensation expenditures of all states sharing a border with it.

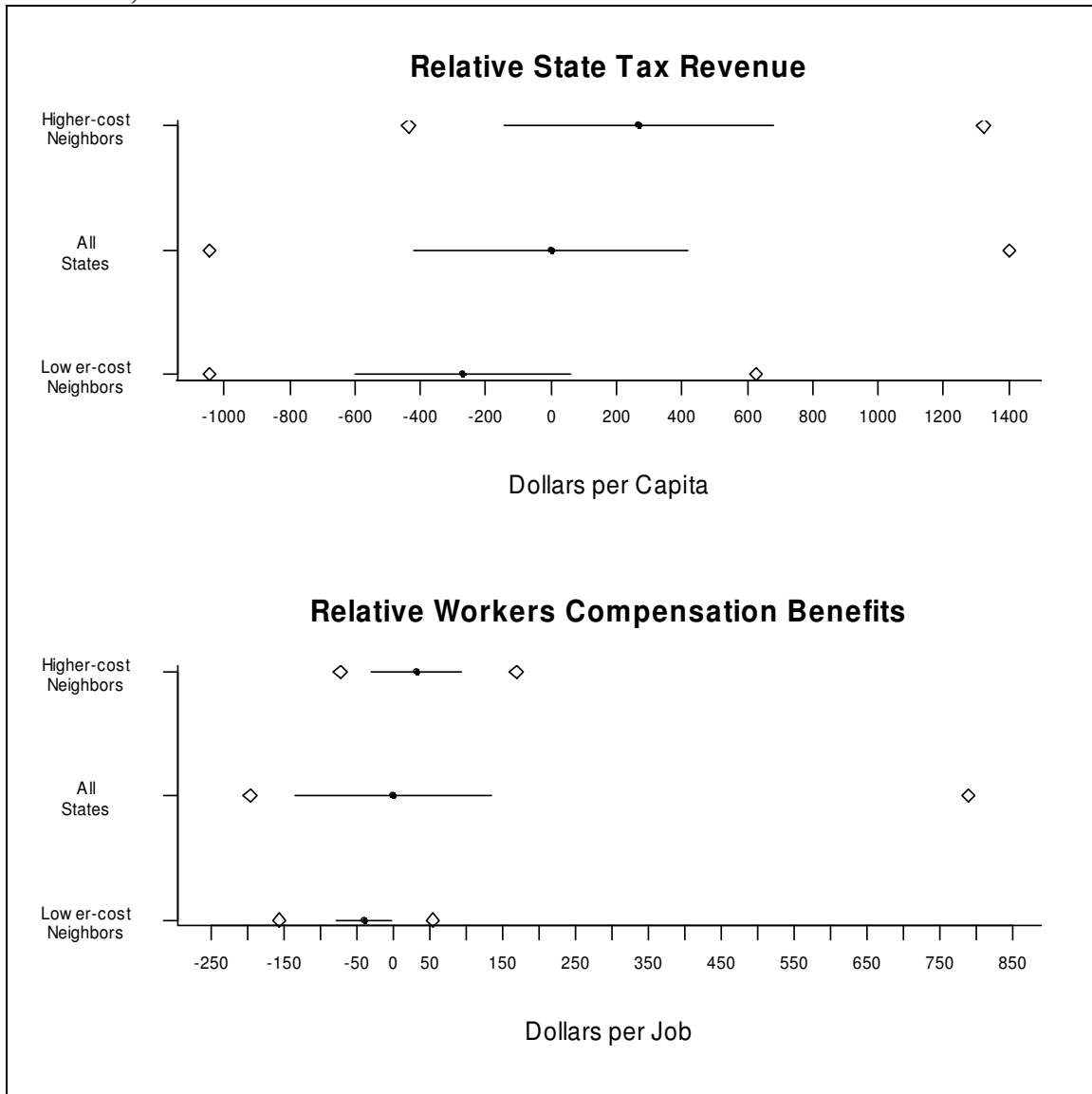
I use these measures of neighboring states' business climates to determine which states have neighbors with higher-cost business climates and which have neighbors with lower-cost business climates. I define a state as having higher-cost neighbors if it has both lower per capita tax revenue and lower workers' compensation expenses than its neighbors. A state has lower-cost neighbors if it has both higher per capita tax revenue and higher workers' compensation expenses than its neighbors.

Figure 4.17 presents a graphical display of the mean, standard deviation, minimum and maximum for both of the business climate variables for all states and their higher-cost and lower-cost neighbors. I use these means in computer simulations to

²⁰ Alaska and Hawaii are excluded because they share a border with no other states.

estimate the influence of neighboring states' business climates on the economic development policies that governors propose for their own states.

Figure 4.17: Graphical Summary of Neighboring States' Business Climate Variables, 1996-2005



Note: Mean values are indicated by a small black dot; solid lines indicate standard deviations; diamond symbols indicate maximum and minimum values.

An inspection of the upper panel of Figure 4.17 reveals that on average there is relatively little difference between a state's own per capita tax revenue and the average

per capita tax revenue of its neighboring states. The average difference between a state's own tax revenue and that of its neighbors is approximately \$269 per capita if the neighboring states have higher-cost business climates. If the neighboring states have lower-cost business climates, then the difference in tax revenues is also approximately \$269 per capita. These differences are approximately 13 percent of the average state tax revenue during the study period of \$2,078 per capita.

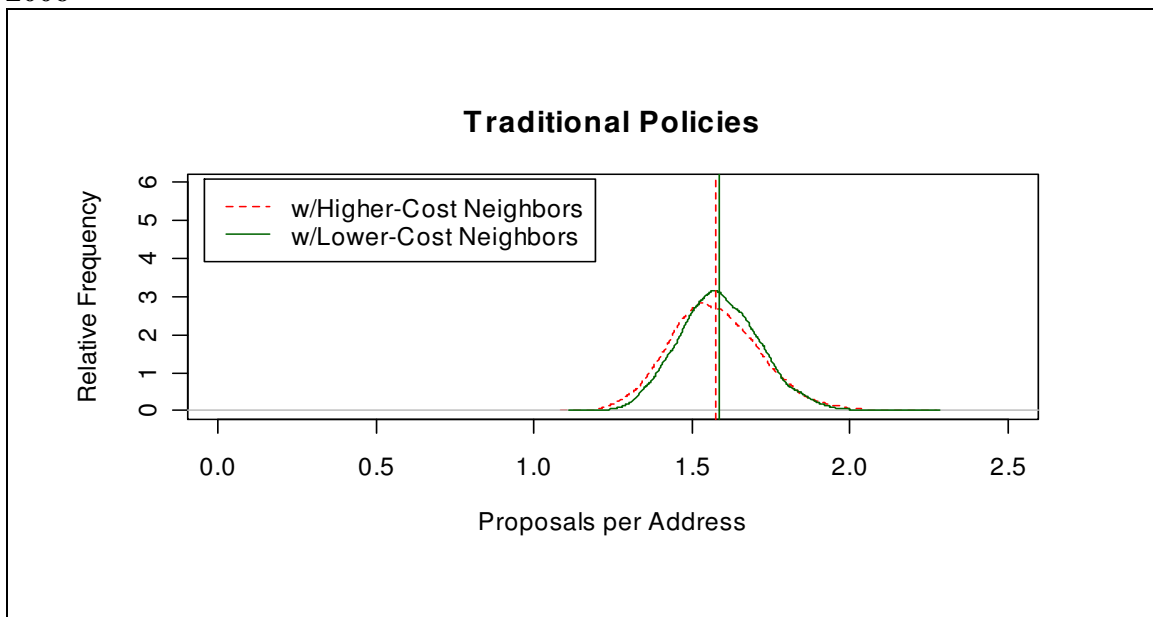
The lower panel of Figure 4.17 reveals that the average difference between a state's own workers' compensation expenditures and that of its neighbors is approximately \$32 per job if the neighboring states have higher-cost business climates and approximately \$40 per job if the neighboring states have lower-cost business climates. These differences are less than 13 percent of the average workers' comp expenditure of \$319 per job. These averages are used in simulations to predict the influence of state business climates on governors' economic development policy recommendations.

Figure 4.18 presents the results of simulations conducted to test my eighteenth hypothesis. These results indicate that governors make traditional economic development proposals without considering whether neighboring states have lower- or higher-cost business climates. The small predicted difference is not statistically significant and provides no support for my hypothesis that governors' economic development policy decisions are especially influenced by the business climates of neighboring states.

This finding provides support for the claim that the geographic scale of interjurisdictional competition for business investment has broadened. Both Bartik (2007)

and Thomas (2007) have noted that declines in communication and transportation costs have made it easier to coordinate business activities between distant locations, which increases the number of feasible locations for any particular business firm (Bartik 2007, p. 103-105; Thomas 2007, p. 43-45). These changes imply that geography is not a very important consideration in the competition for business investment. In other words, the governor of South Carolina, for example, has no real reason to consider North Carolina and Georgia as greater competitors than Colorado or Massachusetts, merely because they are closer in geographic proximity.

Figure 4.18: Predicted Number of Traditional Policies Included in a Governor's Legislative Address, Conditional on Business Climate of Neighboring States, 1997-2006



The Influence of Neighboring States' Entrepreneurial Resources

In Chapter II, I theorized that governors would be influenced by the level of entrepreneurial resources of neighboring states when making decisions about entrepreneurial economic development policies. Specifically:

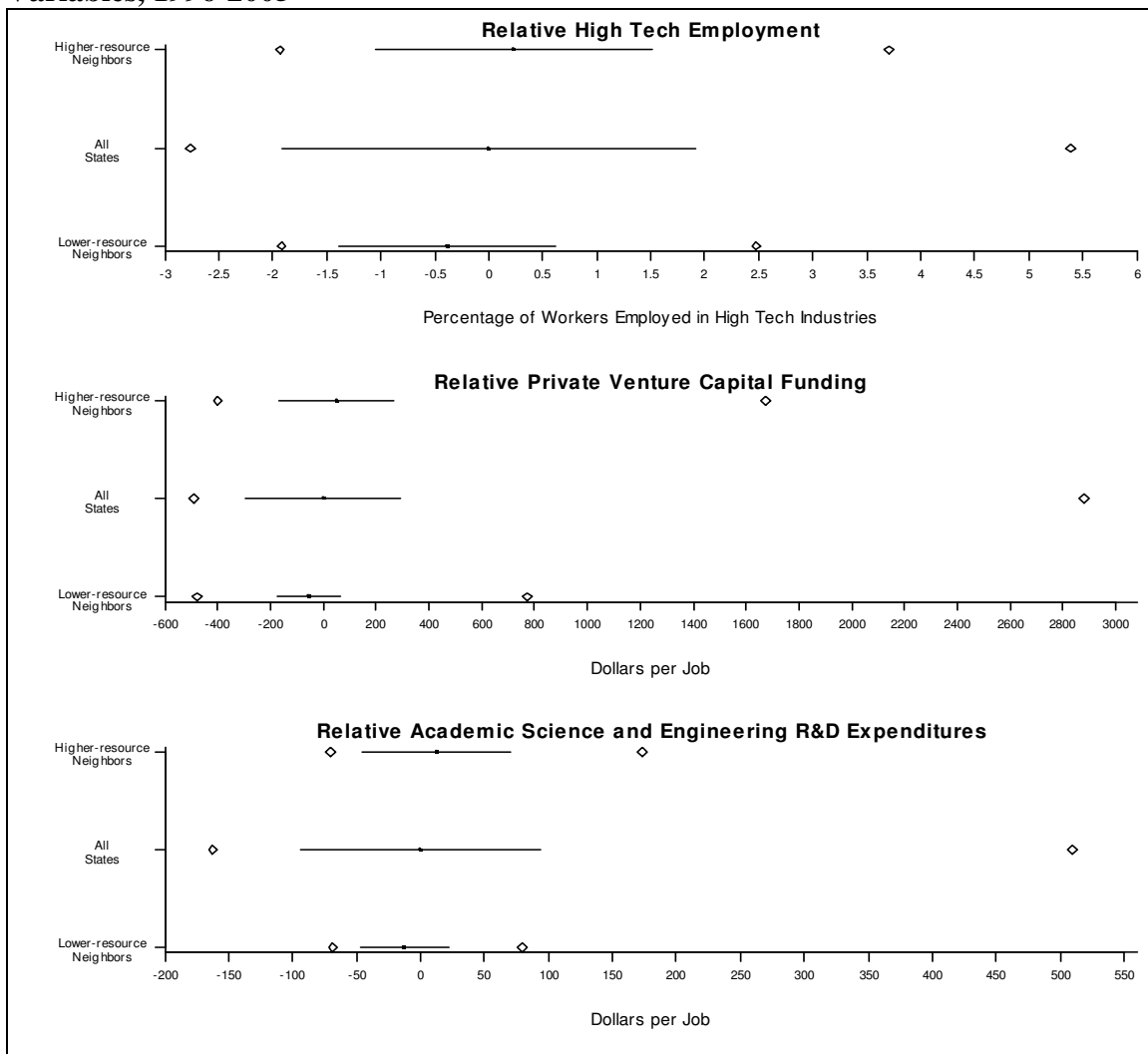
Hypothesis 19: Governors of states with fewer entrepreneurial resources than their neighboring states will include a greater number of entrepreneurial economic development policies on their legislative agendas than governors of states with more entrepreneurial resources.

I use my entrepreneurial resource variables to create additional variables measuring the average level of entrepreneurial resources of each state's neighbors. For each of the three resources, I define the resource level of a state's neighbors as the arithmetic mean of the resource levels of all states sharing a border with the state.

I use these measures to determine which states have neighbors with higher levels of entrepreneurial resources and which have neighbors with lower levels of entrepreneurial resources. I define a state as having higher-resource neighbors if it has lower levels of entrepreneurial resources than its neighbors in at least two of the three measures. A state has lower-resource neighbors if it has higher levels of entrepreneurial resources than its neighbors in at least two of the three measures.

Figure 4.19 presents a graphical display of the mean, standard deviation, minimum and maximum for each of the entrepreneurial resource variables for all states and their higher-resource and lower-resource neighbors. I use these mean values in computer simulations to estimate the influence of neighboring states' entrepreneurial resources on the entrepreneurial economic development policies that governors recommend for their own states.

Figure 4.19: Graphical Summary of Neighboring States' Entrepreneurial Resource Variables, 1996-2005



Note: Mean values are indicated by a small black dot; solid lines indicate standard deviations; diamond symbols indicate maximum and minimum values.

Figure 4.19 reveals that on average there is relatively little difference between a state's own high-tech employment percentage and that of its neighboring states. The average difference between a state's own high-tech employment and that of its neighbors is less than three-tenths of a percentage point if the neighboring states have higher levels of entrepreneurial resources and less than four-tenths of a percentage point if the

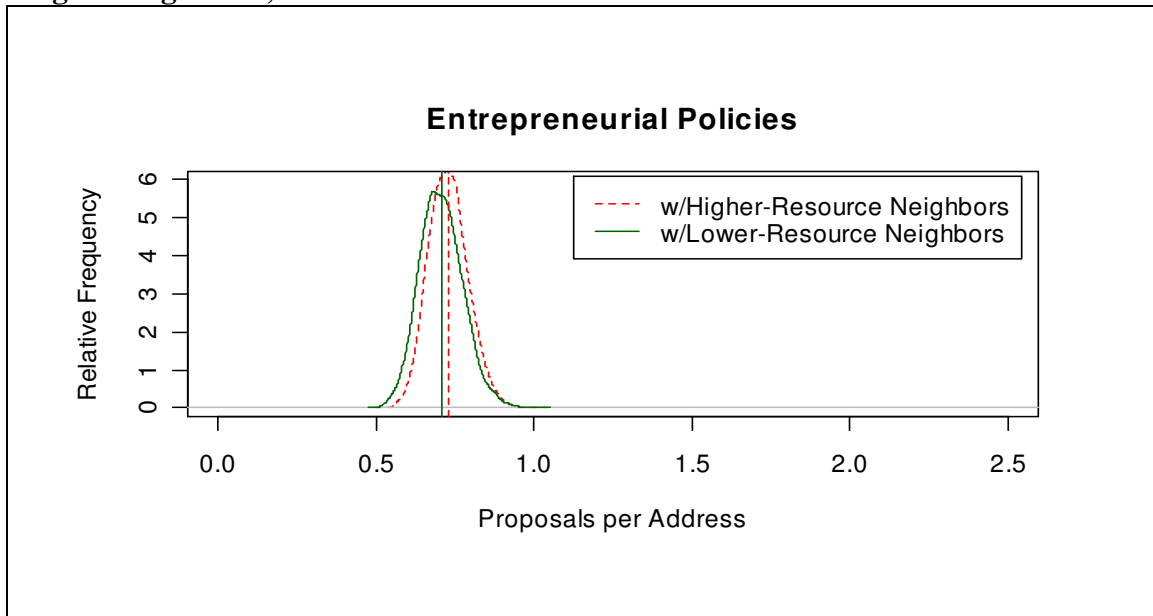
neighboring states have lower levels of resources. These differences are small compared to the average high-tech employment percentage of 4.1 percent.

The lower panel of Figure 4.19 reveals that there is relatively little difference on average between a state's own level of academic R&D spending and that of its neighbors. The average difference is less than \$13 per job when the adjoining states have higher levels of entrepreneurial resources. The average difference is similar when the adjoining states have lower levels of resources. These differences are small compared to the average R&D expenditure of \$223 per job.

The middle panel of Figure 4.19 reveals that the average difference between a state's private venture capital funding and that of its neighbors is approximately \$52 per job if the adjoining states have higher levels of entrepreneurial resources, and \$55 per job if they have lower levels of resources. These differences are relatively large compared to the national average of \$158 per job. These relatively large differences may be caused by the very high levels of private venture capital funding in a handful of states, such as California, New York, and Massachusetts.

The results of the simulations conducted to test my nineteenth hypothesis are presented in Figure 4.20. These results indicate that the level of entrepreneurial resources of neighboring states has no significant influence on the number of entrepreneurial economic development policies that a governor proposes. This finding provides

Figure 4.20: Predicted Number of Entrepreneurial Policies Included in a Governor's Legislative Address, Conditional on Entrepreneurial Resources of Neighboring States, 1997-2006



additional support for the idea that declines in communication and transportation costs have lessened the contribution of geographic proximity to interstate competition for business investment.

Conclusions

In this chapter, I tested several hypotheses derived from my theory of gubernatorial economic development policymaking. Although some hypotheses were confirmed, others were refuted, which suggests that governors sometimes act in ways that are contrary to the behavior that I outlined in my theory. Several hypotheses were neither supported nor refuted. I find that a governor's choices about the numbers and types of policies to include on his legislative agenda are influenced by the state's economic conditions, his own party affiliation, the party in control of the legislature, citizens'

policy preferences, state political culture, and the state's existing levels of entrepreneurial resources.

Governors act rationally when formulating their legislative agendas with respect to economic development policy. Governors of states that are lagging the nation in economic performance are more likely to include economic development policies on their legislative agendas. They also devote a larger portion of their agendas to economic development policy by increasing the number of traditional economic development policies they recommend to the legislature. Similarly, governors respond to lagging rates of business creation and deficiencies in resources that stimulate business creation by recommending a larger number of entrepreneurial policies intended to expand those resources.

When making economic development policy decisions, a governor may be constrained by features in the political environment, such as divided government, his state's political culture, or the policy preferences of the state's citizens. For example, Republican governors exhibit a much stronger preference for traditional economic development policies than Democratic governors. When state legislatures are controlled by Democrats, however, Republican governors tend to make substantially fewer traditional economic development policy recommendations than when their fellow Republicans are in control. I interpret this finding as further evidence that governors act strategically when making economic development policy decisions. Republican governors recognize that traditional policies will not be well received by Democratic legislators and that trying to promote a large number of these policies may consume

bargaining resources that can be used more effectively on other policy issues. In the next chapter, I will investigate whether governors are able to overcome constraints on their policy choices by using the formal and informal gubernatorial powers at their disposal.

CHAPTER V

GUBERNATORIAL POWERS AND ECONOMIC DEVELOPMENT POLICYMAKING

In the previous chapter, I tested hypotheses about the influence of state economic conditions, budget resources, gubernatorial party affiliation, partisan legislative control, citizen ideology, state political culture, business climates, and state entrepreneurial resources on governors' economic development policy decisions. I found that in some cases, these factors constrain a governor's set of choices with regard to economic development policies. Governors often have formal institutional powers, such as line-item veto authority, and personal powers, such high public approval, that they can use to overcome constraints imposed on them by the political environment. In this chapter, I test my remaining hypotheses concerning the influence of governors' institutional and personal powers on their economic development policy recommendations.

Dependent and Independent Variables

I estimate three pairs of models regarding gubernatorial economic development policymaking. The first pair of models is used to examine the influence of governors' institutional powers on their economic development proposals, the second pair examines the influence of electoral mandates on their proposals, and the third pair concerns the influence of public approval. The dependent variable of the first model in each pair is the number of traditional economic development policies that governors proposed in each of their legislative addresses. The dependent variable of the second model in each pair is the

number of entrepreneurial economic development policies. As in the previous chapter, I estimate these models using negative binomial regression.

Each model in this chapter contains independent variables measuring the economic conditions, budget resources, gubernatorial party affiliation, partisan legislative control, citizen ideology, state political culture, business climate, and entrepreneurial resources in each of the fifty states from 1997 to 2006. These variables and the sources of the data used to create them were discussed in Chapter IV. In addition to those variables, each model in this chapter also contains variables that measure the strength of governors' institutional or personal powers. These variables and the sources of the data used to create them are discussed below. Summary statistics for all dependent and independent variables used in my analyses are presented in the appendix (see Table A.1).

Institutional Powers

A governor's institutional powers include his ability to make appointments, veto legislation, and serve multiple terms. These powers provide a governor with political capital that he can use to bargain with legislators for their support of his legislative proposals. I created two dummy variables to classify the strength of a governor's institutional powers into one of three categories: strong, weak, or average. The first variable takes a value of one if a governor's institutional powers are exceptionally stronger than average and a value of zero if he is average or below average in strength. The second variable takes a value of one if a governor is exceptionally weaker than average and a value of zero if his powers are average or above average in strength. If a governor's institutional powers are neither exceptionally strong nor exceptionally weak,

then both variables take a value of zero. To identify exceptionally strong and weak governors, I created indexes measuring their institutional powers in three areas that strengthen governors' ability to bargain with legislators: the existence of separately chosen statewide officials, tenure potential, and line-item veto power. Each of these individual indexes measures gubernatorial powers on a scale from one to four. Governors with the strongest powers have an index value of four and those with the weakest powers have an index value of one. I then combine these individual indexes to create an index measuring overall institutional power on a scale from three to twelve. Finally, I use this index of overall institutional strength to classify governors as strong, weak, or average. The data used to create each of the individual indexes are discussed below.

Separately Chosen Statewide Officials

The ability to appoint important statewide executive branch officials not only allows a governor to place like-minded policy officials in positions of importance, but also provides him with resources that he can use in negotiating with legislators (Bernick and Wiggins 1991, p. 80; Beyle 1983, p. 196; Beyle 2004, p. 211-14). In some states, however, many important statewide officials may either be popularly elected or appointed by political officials other than the governor, such as the legislature. These other methods of choosing statewide officials reduce a governor's appointment powers, which can limit the resources that a governor has available for legislative bargaining. Popular election or appointment of these officials by someone other than the governor also limits a governor's influence over important executive branch functions, because these separately chosen officials may have a different constituency than the governor or different policy

goals, making them less responsive to his policy preferences than an appointed official (Beyle 1983, p. 191-92; Beyle 2004, p. 210-11; Gross 1991, p. 10; Herzik 1991, p. 26; Morehouse 1976, p. 222; Schlesinger 1965, p. 208).

I count the number of important statewide officials in each state that are either popularly elected or appointed by political officials other than the governor. This measure provides an indication of a governor's institutional strength with regard to separately chosen officials. I define important statewide officials to include the lieutenant governor, secretary of state, attorney general, and treasurer. I also include the secretary of education, secretary of agriculture, secretary of labor, chief insurance commissioner, and chief utility regulation official in this category. I obtain information about the method of selecting these officials in each state from the *Book of the States* (Council of State Governments 1997, 1999, 2001, 2002, 2003, 2004, 2005, 2006).²¹

The number of separately chosen statewide officials varies from zero in Alaska and New Jersey to eight in Georgia, North Carolina, and North Dakota. Approximately 60 percent of the states had three, four, or five separately chosen statewide officials, with a median of four. Only about 20 percent of the states had more than five separately chosen officials. A similar percentage had fewer than three.

I use this data to create an index measuring gubernatorial institutional strength with respect to separately chosen statewide officials on a scale from one to four. Because governors are generally stronger when they compete for political influence with relatively

²¹ The *Book of the States* was not published in 1998 or 2000. Because states do not frequently change their methods for selecting officials, I assume that officials were selected by the same methods in 1998 and 2000 as in 1997 and 1999, respectively.

few other officials, I rank the 20 percent of governors in states with two or fewer separately chosen officials as the strongest on this dimension and assign them an index value of four. Governors who must compete with many other officials for influence are the weakest on this dimension. For this reason, I rank the 20 percent of governors in states with more than five separately chosen officials as the weakest and assign them an index value of one. Governors of states with exactly four separately chosen officials are at the median level of strength on this dimension. I assign them an index value of 2.5, which is the mid-point between one and four. Governors of states with three separately chosen officials are slightly above the median strength, but not among the strongest governors, so I assign them an index value of three which is slightly above the mid-point. Similarly, governors of states with five separately chosen officials are slightly below the median strength, but not among the weakest governors. I assign these governors an index value of two.

Tenure Potential

In most states, gubernatorial terms are four years long and governors may serve no more than two terms. The need to run for reelection and the imposition of term limits restrict the time that governors have to build legislative coalitions and may also lead to a decline in gubernatorial bargaining strength over the course of their administrations (Beyle 2004, p. 206; Morehouse 1976, p.198; Ransone 1982, p. 30, 26, and 170-71; Rosenthal 1990, p. 21; Sabato 1983, p. 98). A lame duck governor serving his final term is potentially at a disadvantage in bargaining with legislators compared to a governor who is eligible to run for reelection. A legislator who opposes a lame duck governor's

policies may choose to wait until a new governor is elected and takes office rather than bargain with the current governor. If a governor is eligible to run for reelection, on the other hand, a legislator may decide to negotiate with him because it may be several years before a new governor takes office. Similarly, governors with three or four years remaining in their current term have more potential power than governors with only one or two years remaining.

I obtain information about gubernatorial term lengths, gubernatorial term limits, and when each governor in my dataset was first elected or succeeded to office from the *Book of the States* (Council of State Governments 1997, 1999, 2001, 2002, 2003, 2004, 2005, 2006). I used these data to create an index measuring gubernatorial tenure potential on a scale from one to four. A governor is weakest with regard to tenure potential when he is both ineligible for reelection and has only one or two years remaining in his current term. I assign governors in this situation the lowest possible index value of one. Governors who have three or four years remaining in their current term and are eligible to serve another term have the greatest strength on this dimension. These governors are assigned the highest index value of four. A governor who has three or four years remaining in his current term but is term-limited and ineligible to run for reelection, has intermediate strength with regard to tenure potential. A governor who has only one or two years left to serve in his current term, but is eligible to run for reelection also has intermediate strength in this regard. Because it is not clear to me which of these two governors are stronger, I assign each of them an index value of 2.5, which is the mid-point value between the strongest and weakest governors.

Line Item Veto Power

Although governors of all fifty states possessed the power to veto legislation during the period of my study, several states do not grant their governor the power to exercise a line item veto. Line item veto authority expands gubernatorial veto power by allowing a governor to eliminate or reduce particular appropriations without rejecting an entire appropriations bill (Bernick and Wiggins 1991, p. 78; Beyle 1983, p. 200; Beyle 2004, p. 215; Jewell 1969, p. 68; Morehouse and Jewell 2003, p. 179-80; Rosenthal 1990, p. 10). This enhanced veto power not only provides a governor with greater appropriation authority, but can also be used in bargaining for support on other bills of interest to him (Rosenthal 1990, p. 10). For example, a governor with the line item veto can threaten to reduce or eliminate an appropriation that is important to a particular legislator unless the lawmaker votes in favor of a particular bill supported by the governor.

I determined which governors had line item veto authority from information contained in the *Book of the States* (Council of State Governments 1997, 1999, 2001, 2002, 2003, 2004, 2005, 2006). I used this information to create an index measuring gubernatorial veto power on a scale from one to four. Governors lacking the line item veto are assigned an index value of one and those with the line item veto are assigned a value of four.

Overall Institutional Power

I sum the values of the three individual indexes for each observation in my dataset to create another index measuring overall institutional power on a scale from three to twelve. Only 25 percent of the governors have an overall institutional power index value

of 10.5 or greater. I considered these governors to be those with strong institutional powers. At the other end of the scale, only 25 percent of governors had an overall index value of 7.5 or less. I considered these governors to have weak institutional powers. If a governor had an overall index value greater than 7.5 but less than 10.5, I considered him to be neither strong nor weak.

I use these overall index values to assign values to my two dummy variables that indicate weak and strong governors. The first variable, which indicates strong governors, takes a value of one if a governor's overall institutional power index is 10.5 or more and a value of zero if it is less than 10.5. The second variable, which indicates weak governors, takes a value of one if a governor's overall institutional power index is 7.5 or less and a value of zero if it is more than 7.5.

Number of Opposition Votes Required

In Chapter II, I suggested that during periods of divided government a governor could use his institutional powers to persuade members of the opposition party to support his legislation. I also suggested that this strategy would be viable only when the governor needed a relatively small number of opposition votes to form a majority. Consequently, governors would be unlikely to use it when they needed a large number of opposition votes. I include a variable measuring the number of opposition votes required by each governor in the first pair of models so that I can test my hypotheses concerning institutional powers.

The dataset that I use to determine the political party in control of each state legislature contains information about the number of seats in each state legislative

chamber that are held by each political party in each year. I use this information to create a variable that measures the minimum number of opposition votes needed by each governor to build a working majority. For example, consider a hypothetical situation in which a Republican governor is working with a state legislature in which Democrats hold 32 of 50 seats in the upper chamber and 52 of 100 seats in the lower chamber. If I assume that all Republican legislators will vote in favor of the governor's legislation, then the governor needs a minimum of eight opposition votes to obtain a majority in the upper chamber and three to obtain a majority in the lower chamber for a total of eleven opposition votes. When a governor's political party controls a legislative chamber, then I assume that he can obtain a majority from among his own party members and will not need any opposition votes to pass legislation in that chamber.

Electoral Mandate

In the second pair of models, which examine the influence of an electoral mandate, I include a dummy variable that takes a value of one if the governor was elected under conditions that would provide him with an electoral mandate and a value of zero if he has no electoral mandate. Edwards (1989) identifies the conditions that contribute to a president's claim of an electoral mandate. These conditions include winning the election by a large margin, defeating an incumbent, and having his victory be accompanied either by a large increase in the number of legislative seats held by his party or a shift in control of one or both legislative chambers from the opposition to his own party (Edwards 1989, p. 150-61).

For each full or partial gubernatorial term represented in my dataset, I gather data concerning the conditions under which the governor assumed office. I use these data to determine whether they attained office under conditions that strengthen their claim to an electoral mandate. I use this data to create an index measuring the strength of each governor's claim to a mandate. Finally, I use this index of electoral mandate strength to assign values to the dummy variable that indicates that a governor has an electoral mandate. The data I use to create my electoral mandate index are discussed below.

Winning Electoral Margin

A large margin of victory is one indicator of an electoral mandate (Beyle 2004, p. 205). By contrast, a governor who succeeds to office upon the resignation or death of his predecessor has the weakest claim to an electoral mandate. I assign governors who succeeded to office after the death or resignation of the previous governor an electoral mandate index value of zero. Governors who were elected to office receive one point toward their electoral mandate index. I add an additional point if a governor was elected by an exceptionally large percentage of the vote. Because I had no preconceived idea about how large a governor's vote percentage must be to provide him with an electoral mandate, I examined my data concerning vote percentages received by the governors in my dataset. I found that only 25 percent of the governors received more than 58.3 percent of the vote. I assumed that a vote percentage in excess of this value is an indication of an electoral mandate, because it is so uncommon. I obtain data concerning the winning vote percentage of each elected governor from Congressional Quarterly's *Guide to U.S. Elections* (Congressional Quarterly 2005; Moore, Preimesberger, and Tarr 2001).

Defeat of the Incumbent Party

A chief executive's claim to an electoral mandate is enhanced when there is evidence that voters elected him because of their desire for a change in policy direction (Edwards 1989, p. 160-61). One way that voters can indicate their desire for change is by electing a governor of a different party than the incumbent. This indication is particularly strong when a challenger defeats the incumbent governor. I assign governors who were elected by defeating a member of the incumbent governor's party one point toward their electoral mandate index. If a governor defeated the incumbent governor, then I add an additional point to his index.

Coattail Effects

A chief executive's claim to an electoral mandate is strengthened when his election is accompanied by a large increase in his party's strength in the legislature (Edwards 1989, p. 151). When a governor is elected under these circumstances, voters appear to be providing a strong indication of support for him and his policies. I use information in my legislative dataset to determine the percentage of the seats in each state's legislature that were held by the governor's party members before and after his election. I add an additional point to the electoral mandate index of governors whose elections were accompanied by an exceptionally large increase in the percentage of legislative seats held by their fellow party members. I had no preconceived idea about how large the increase in a governor's legislative party strength must be to indicate that his election had coattail effects. For this reason, I examined my data concerning changes in legislative party composition. I found that only 25 percent of gubernatorial elections

were accompanied by a change in legislative seats of more than 5.67 percent. I assumed that a change in the governor's party strength larger than this percentage indicated that he had coattails because changes this large are so uncommon. If a governor's election was also accompanied by a shift in control of one or both chambers of the state legislature to the governor's party, then I add an additional point for each chamber that changed control.

Overall Electoral Mandate Strength

I add the points awarded for meeting each of the electoral mandate conditions described above to form an overall electoral mandate index. The index values for the governors in my dataset range from zero to four. During the ten years covered by my study, governors served 168 full or partial terms in office. Of these 168 terms, governors began 40 of them, or approximately 24 percent, with an electoral mandate index value of three or greater. Because this combination of conditions is so uncommon, I assume that an overall electoral mandate index of three or greater indicates the presence of an electoral mandate. I indicate that a governor has an electoral mandate using a dummy variable takes a value of one if the value of a governor's electoral mandate index is three or more and a value of zero if it is less than three.

Years Served During the Current Term

In Chapter II, I suggest that the benefits of an electoral mandate decline as a governor continues his term in office. To account for the possibility that the effect of an electoral mandate might change over the course of a governor's term, I include in the

second pair of models a variable that indicates the number of years a governor has served during his current term. This variable takes a value of zero during the first year of a governor's term after being elected or succeeding to office. The value of this variable increases by one for each subsequent year until the governor leaves office or is reelected.

Public Approval Ratings

In the third pair of models, I measure the level of public approval of the governors in my study using the U.S. Officials' Job Approval Ratings dataset compiled by Beyle, Niemi, and Sigelman (2002).²² This dataset contains information concerning the job approval ratings of governors as determined by surveys dating back to the 1940s. The information contained in the dataset includes the percentage of respondents who expressed a positive or negative opinion of the governor's job performance and the date or dates on which the survey was conducted.

Unfortunately, these opinion surveys are conducted infrequently in many states. As a result, there were relatively few instances in which any particular state's citizens were surveyed shortly before the governor's annual legislative address. Even surveys within a six-month window prior to each governor's legislative address are uncommon. Of the 462 gubernatorial addresses analyzed for this study, only 225 of them were preceded by a job approval survey within the six months prior to the date of the address. For these 225 observations, I use the results of the last survey conducted within that six-month window. I define each governor's public approval rating as the percentage of

²² The latest version of this dataset is available for download at <http://www.unc.edu/~beyle/jars.html>.

respondents expressing a positive opinion of the governor's performance divided by the sum of the percentages of the respondents expressing a positive or negative opinion.

Analyzing the Influence of Institutional Powers

I test my hypotheses concerning institutional powers by estimating two models. The first model predicts the number of traditional economic development policies that governors propose in their legislative addresses. The other model predicts the number of entrepreneurial policies. The negative binomial regression results for the two models are presented in the appendix (see Table A.4) as a point of reference for the reader. However, the direct interpretation of these regression coefficients in relation to my hypotheses is rather complex because the coefficients cannot be directly interpreted as changes in the quantities of interest in my analysis. Therefore, I use computer simulations, as suggested by King, Tomz, and Wittenberg (2000), to analyze my hypotheses. The simulation procedures were described in Chapter IV.

In Chapter II, I hypothesized that during periods of divided government governors may use their institutional powers to persuade opposition members of the legislature to support their proposals. This strategy will be most viable when the number of legislative seats held by the opposition is only slightly greater than the number held by the governor's party because the governor will only need to convince a few opposition legislators to support his policies. The discussion of this gubernatorial bargaining strategy leads to the following hypotheses:

Hypothesis 20: During periods of divided government when there is a small difference in the number of seats held by the majority and minority parties, Republican governors with strong institutional powers will include a greater

number of traditional economic development policies on their legislative agendas than Republican governors with weak institutional powers.

Hypothesis 21: During periods of divided government when there is a small difference in the number of seats held by the majority and minority parties, Democratic governors with strong institutional powers will include a greater number of entrepreneurial economic development policies on their legislative agendas than Democratic governors with weak institutional powers.

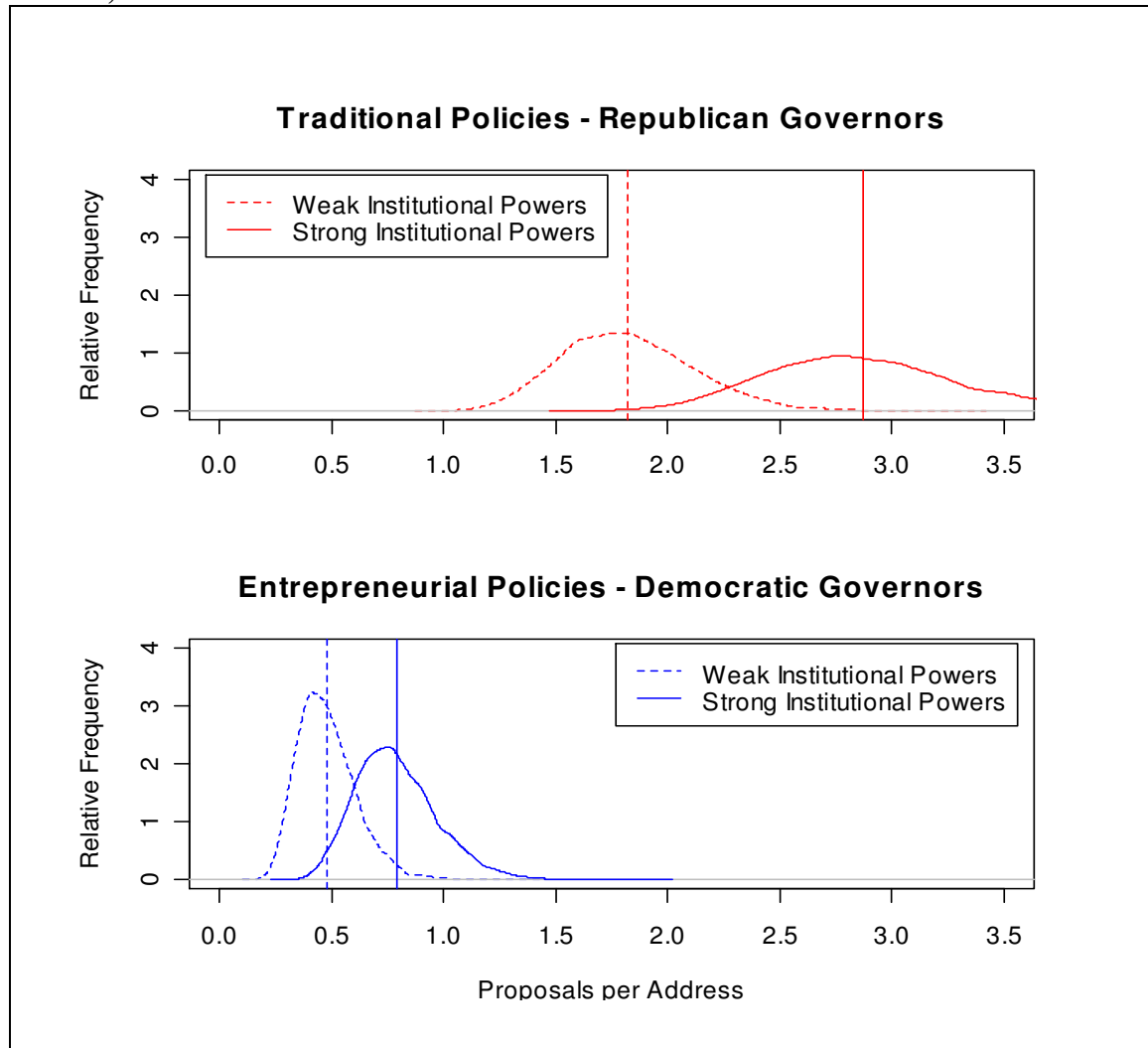
The results of the simulations conducted to test these two hypotheses are plotted in Figure 5.1. I examined my data concerning partisan composition of the legislature to determine what difference in the number of majority and minority legislative seats should be considered a small difference. I found that during periods of divided government only 25 percent of governors needed six or fewer opposition votes. Because such a narrowly divided legislature is so uncommon, the simulations in this section assume that governors need to obtain the support of six opposition party members to build a majority coalition in support of their proposals.

The estimates plotted in the top panel of Figure 5.1 indicate that Republican governors with strong institutional powers are expected to propose approximately 2.9 traditional economic development policies per legislative address. Republican governors with weak institutional powers, on the other hand, are expected to propose only 1.8 traditional policies per address. Because the difference of about 1.1 policies per address is statistically significant at the 90 percent level, these findings provide support for my twentieth hypothesis.

The estimates plotted in the bottom panel of the figure demonstrate that Democratic governors with strong institutional powers are expected to propose approximately 0.8 entrepreneurial policies per legislative address during periods of

narrowly divided government. Those governors with weak institutional powers, on the other hand, are expected to propose less than 0.5 entrepreneurial policies per address. In this case, however, the difference is not statistically significant.

Figure 5.1: Predicted Number of Preferred Economic Development Policies Included in a Governor's Legislative Address When the Votes of Six Opposition Members Are Required, Conditional on Strength of Gubernatorial Institutional Powers, 1997-2006



I do not expect governors to adopt this bargaining strategy when they need a large number of opposition votes. First, a governor's bargaining resources are finite, which will

limit the number of deals that he can make with legislators. Second, the probability that a legislator's demand conflicts with a deal the governor already has in place increases with each additional deal a governor tries to make. Consequently, I assume that governors cannot obtain a large number of opposition votes in this manner. This assumption leads to two additional hypotheses:

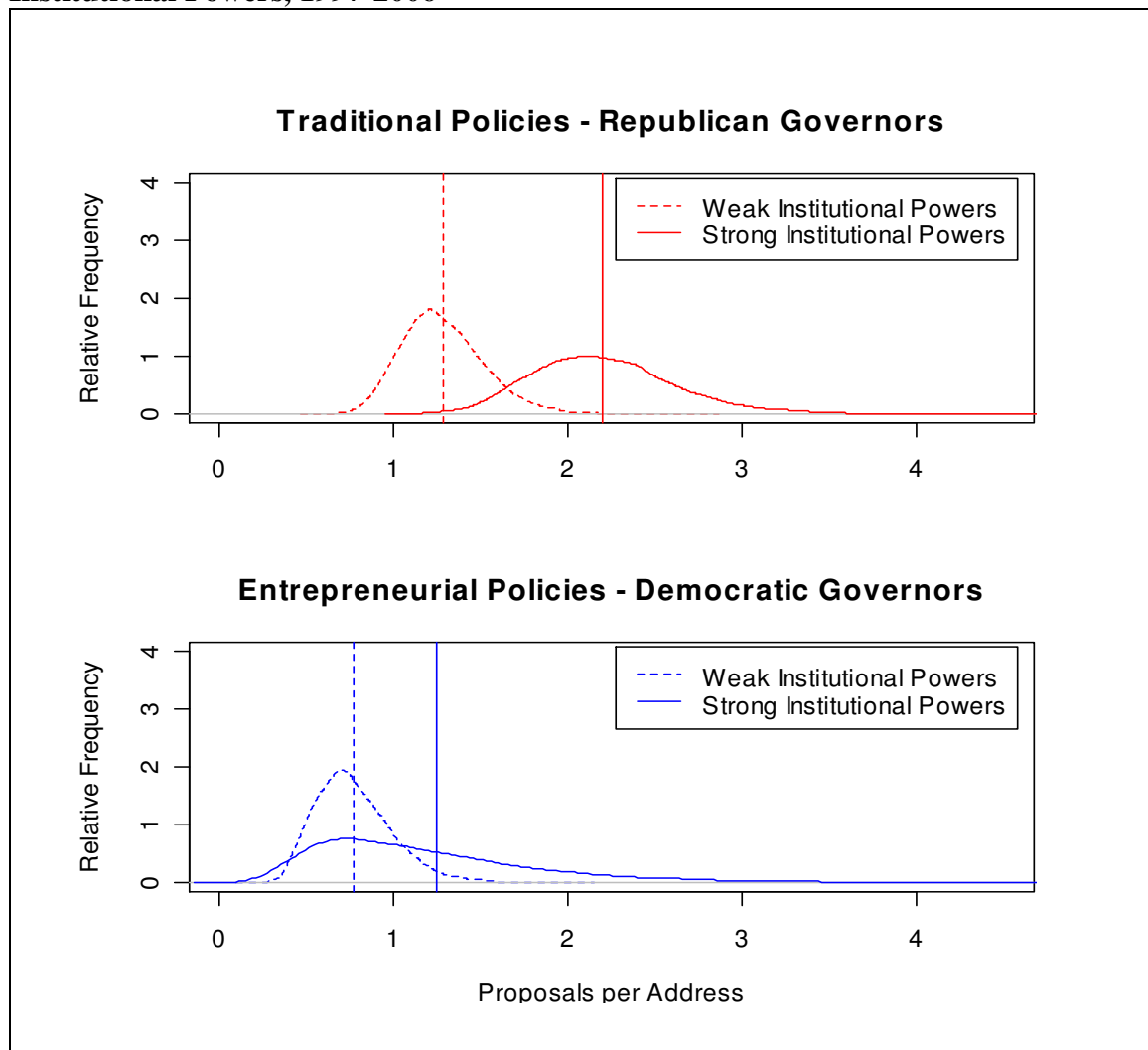
Hypothesis 22: During periods of divided government when there is a large difference in the number of seats held by the majority and minority parties, the strength of Republican governors' institutional powers will have no effect on the number of traditional economic development policies they include on their legislative agendas.

Hypothesis 23: During periods of divided government when there is a large difference in the number of seats held by the majority and minority parties, the strength of Democratic governors' institutional powers will have no effect on the number of entrepreneurial economic development policies they include on their legislative agendas.

Figure 5.2 illustrates the results of the simulations conducted to test these two hypotheses. I examined my data concerning partisan composition of the legislature to determine what difference in the number of majority and minority legislative seats should be considered a large difference. I found that during periods of divided government, only 25 percent of the governors needed twenty-six or more opposition votes to form a majority. Because so few governors needed such a large number of opposition votes, the simulations in this section assume that governors need to obtain the support of twenty-six opposition party members to build a majority coalition in support of their proposals. The simulation results plotted in the top panel of the figure indicate that when needing a large number of opposition votes, strong Republican governors propose approximately 2.2 traditional economic development policies per address. Weak Republican governors in

the same circumstances are expected to propose only 1.3 traditional policies per address. The difference of 0.9 policies per address is statistically significant at the 90 percent level. These findings indicate that, contrary to my hypothesis, there is no apparent decline in the influence of Republican governors' institutional powers as the number of opposition votes they require increases.

Figure 5.2: Predicted Number of Preferred Economic Development Policies Included in a Governor's Legislative Address When the Votes of Twenty-Six Opposition Members Are Required, Conditional on Strength of Gubernatorial Institutional Powers, 1997-2006



The estimates plotted in the bottom panel of Figure 5.2 demonstrate that Democratic governors with strong institutional powers are expected to propose almost 1.3 entrepreneurial policies per legislative address during periods when they need a large number of opposition votes. Those with weak institutional powers, on the other hand, are expected to propose less than 0.8 entrepreneurial policies per address. The difference of 0.5 policies per address is not statistically significant. These findings provide no support for my argument that the influence of Democratic governors' institutional powers diminishes as the number of opposition votes required increases.

Overall, my findings regarding these four hypotheses support the idea that the strength of a governor's institutional powers influences his policy decisions. They do not, however, support my theory about how governors use these powers to advance their policies in the legislature during periods of divided government. I had argued that these institutional powers would provide them with bargaining resources to obtain the support of individual legislators within the opposition party. I also argued, however, that the number of votes that governors could obtain by this strategy would be limited because these bargaining resources are finite. I also suggested that conflicting demands by legislators would make it difficult for governors to make a large number of these political bargains. Consequently, I expected strong governors to propose a greater number of economic development proposals than weak governors during periods of narrowly divided government. I expected that this difference between strong and weak governors would diminish as the number of opposition votes they required increased. Although I find that strong governors tend to propose more policies than weak governors when they

need only a few opposition votes, I do not find any evidence that this difference diminishes as the opposition party's advantage in the legislature increases.

One explanation for my findings is that governors' institutional powers provide them with bargaining resources that can be used to obtain a much larger number of votes than I had envisioned. Rather than allowing them to bargain for a handful of opposition votes, strong institutional powers enable them to bargain for dozens of votes. This explanation seems implausible for two reasons. First, it implies that a governor's bargaining resources are unlimited and do not diminish as he makes additional legislative deals. Second, this explanation does not account for the effect that obtaining support from opposition legislators will have on the support provided by the governor's own party members. Morehouse (1996 and 1998) finds evidence that bargaining for opposition support may erode a governor's support within his own party (Morehouse 1996, p. 379; 1998, p. 219-20). Even if a governor succeeds in obtaining a large number of opposition votes by bargaining, he may lose some of the votes of his own party members. This loss will necessitate bargaining for even more votes.

An alternative explanation of my results is that strong institutional powers provide governors with resources that allow them to overcome constraints on agenda size. In measuring governors' institutional powers, I focused on the powers that would be most useful in bargaining, such as line-item veto authority. I did not include measures of resources that would be useful in policy development, such as the size of a governor's staff. Perhaps governors who have high levels of institutional bargaining resources also have high levels of policy development resources. These resources would permit them to

develop a greater number of policy proposals and expand their economic development policy agendas. Although further studies are needed to understand how institutional powers influence governors' economic development proposals, this interpretation of my findings is consistent with the results of studies by other scholars. They find that states with institutionally strong governors tend to enact and implement a larger variety of economic development programs (Ambrosius 1989, p. 63; Elkins, Bingham, and Bowen 1996, p. 167).

Analyzing the Influence of an Electoral Mandate

In this section, I estimate two models to test my hypotheses concerning governors' electoral mandates. The first model predicts the number of traditional economic development policies that governors propose in their legislative addresses. The other model predicts the number of entrepreneurial policies. The negative binomial regression results for the two models are presented in the appendix (see Table A.5) as a point of reference for the reader. However, the interpretation of these regression coefficients in relation to my hypotheses is rather complex because the coefficients cannot be directly interpreted as changes in the quantities of interest in my analysis. For this reason, I use computer simulations, as suggested by King, Tomz, and Wittenberg (2000), to analyze my hypotheses. The simulation procedures were described in Chapter IV.

In Chapter II, I suggested that having an electoral mandate will provide a newly elected governor with political capital that can be used to overcome legislative resistance to his policy proposals. As a result, I expect that governors with electoral mandates will

propose larger numbers of their preferred economic development policies than those lacking mandates. This discussion of electoral mandates leads to the following hypotheses:

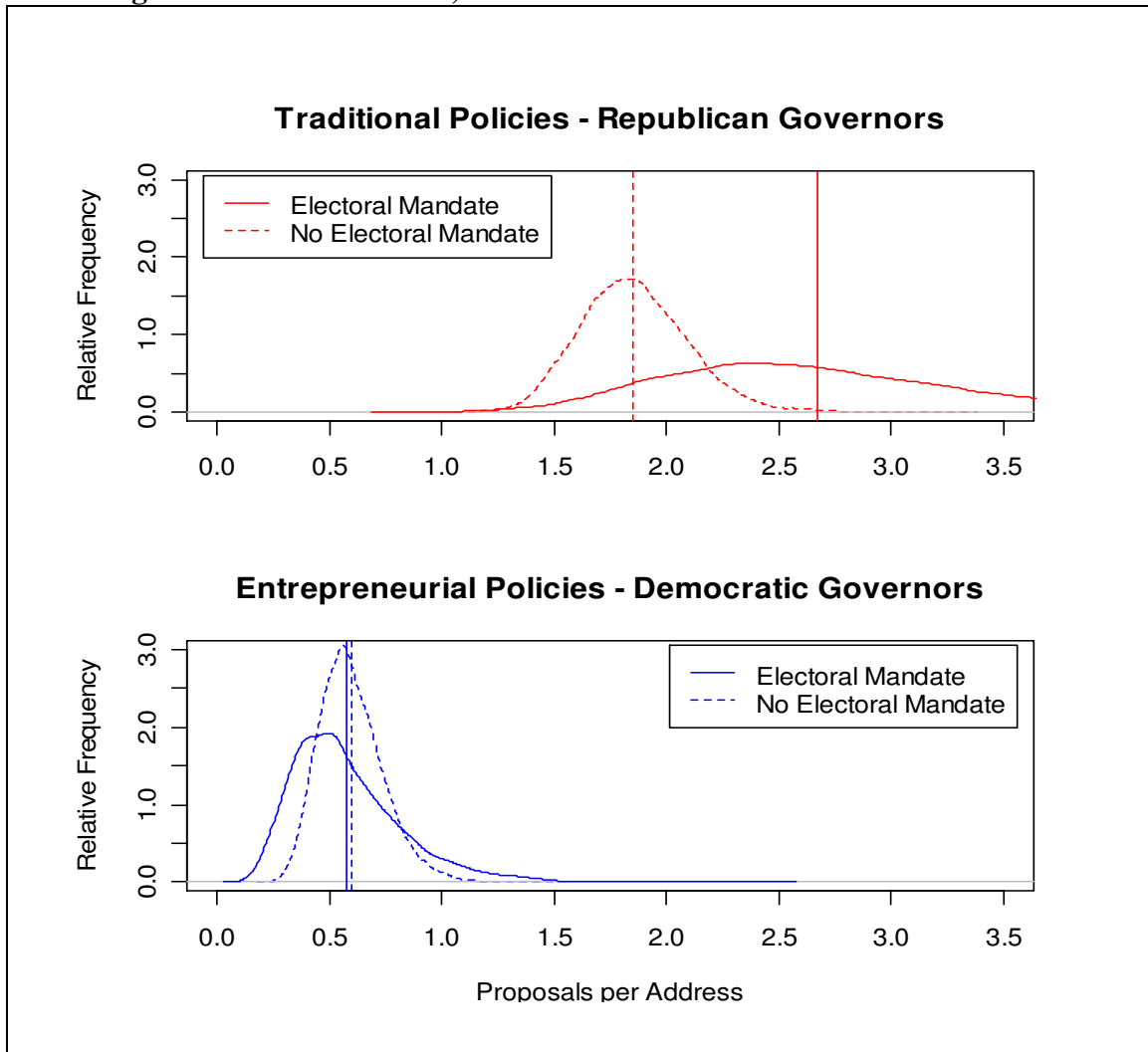
Hypothesis 24: Recently elected Republican governors will include a greater number of traditional economic development policies on their legislative agendas if they have a significant ability to claim an electoral mandate than if they possess little ability to claim a mandate.

Hypothesis 25: Recently elected Democratic governors will include a greater number of entrepreneurial economic development policies on their legislative agendas if they have a significant ability to claim an electoral mandate than if they possess little ability to claim a mandate.

The simulation results plotted in Figure 5.3 provide little support for these two hypotheses. The estimates plotted in the top panel indicate that recently elected Republican governors with an electoral mandate are expected to propose approximately 2.7 traditional economic development policies per legislative address. Without a mandate, on the other hand, these governors are expected to propose only 1.9 traditional policies per address. Although the expected difference of 0.8 traditional proposals per address is substantively large, it is statistically insignificant.

The estimates plotted in the bottom panel of the figure demonstrate that electoral mandates have no influence on the number of entrepreneurial economic development policies proposed by Democratic governors. They are expected to propose slightly less than 0.6 entrepreneurial policies per legislative address with or without an electoral mandate. The small predicted difference is not statistically significant.

Figure 5.3: Predicted Number of Preferred Economic Development Policies Included in a Recently Elected Governor's Legislative Address, Conditional on Possessing an Electoral Mandate, 1997-2006



Although my estimates of the influence of electoral mandates on traditional and entrepreneurial policy proposals are both statistically insignificant, my simulation results suggest that an electoral mandate may affect the two types of policy proposals differently. This difference is apparent by examining Figure 5.3. The bottom panel of the figure demonstrates that my estimate of the influence of an electoral mandate on entrepreneurial

proposals by Democratic governors is not only statistically insignificant, but is nearly zero. Even if this difference between Democratic governors with and without a mandate was statistically significant, I would still conclude that an electoral mandate has no substantive effect in this situation. In the case of Republican governors proposing traditional policies, the simulation results presented in the top panel of Figure 5.3 reveal that the estimated effect of an electoral mandate is large (approximately 0.8 proposals per address). The probability distribution surrounding the estimate for Republican governors with an electoral mandate is very wide, however, which indicates that there is a great deal of uncertainty associated with the estimate. In this case, the lack of statistical significance is because the estimate is extremely uncertain, not because it is small.

This difference raises an interesting question: Why would an electoral mandate have a large, although uncertain, influence on Republican governors' decisions about traditional economic development policies, but have no influence on Democratic governors' decisions about entrepreneurial policies? One possible explanation is that Democratic governors do not need to expend extra political capital to promote entrepreneurial economic development policies because these policies receive support from both parties. Although I had predicted that Democratic governors and legislators would have a greater preference for entrepreneurial policies than Republicans, my earlier analysis suggests that they have similar preferences for these policies. In Chapter IV, I found that Democratic and Republican governors tend to propose similar numbers of entrepreneurial policies. I also found that Democratic governors propose similar numbers of entrepreneurial policies under both unified and divided government. If there is not a

large partisan conflict over entrepreneurial economic development policies, then a Democratic governor with an electoral mandate may choose to use his political capital to promote other policy proposals that are subject to conflict.

My earlier findings indicate, however, that there are partisan differences concerning traditional policies. In Chapter IV, I found that Republican governors propose a greater number of traditional economic development policies and that they tend to reduce the number of traditional policies they recommend when Democrats control the legislature. Republican governors with an electoral mandate may propose more traditional policies than those without a mandate because they expect the extra political capital to help them overcome Democratic resistance to their proposals.

Analyzing the Influence of Public Approval

In this section, I estimate two models to test my hypotheses concerning the influence of public approval on governors' economic development policies. The first model predicts the number of traditional economic development policies that governors propose in their legislative addresses. The other model predicts the number of entrepreneurial policies. The negative binomial regression results for the two models are presented in the appendix (see Table A.6) as a point of reference for the reader. However, the interpretation of these regression coefficients in relation to my hypotheses is rather complex because the coefficients cannot be directly interpreted as changes in the quantities of interest in my analysis. Consequently, I use computer simulations, as suggested by King, Tomz, and Wittenberg (2000), to provide a more straightforward interpretation of my results. The simulation procedures were described in Chapter IV.

In Chapter II, I argued that a high level of public approval is another source of political capital that governors can use to overcome legislative resistance to their proposals. Because a governor's high public approval rating is a signal that he has public support for his policies, legislators will be more reluctant to oppose him than if he had low public approval. As a result, I expect that popular governors will propose more of their own preferred policies than unpopular governors. Therefore:

Hypothesis 26: Republican governors with high public approval ratings will include a greater number of traditional economic development policies on their legislative agendas than Republican governors with low public approval.

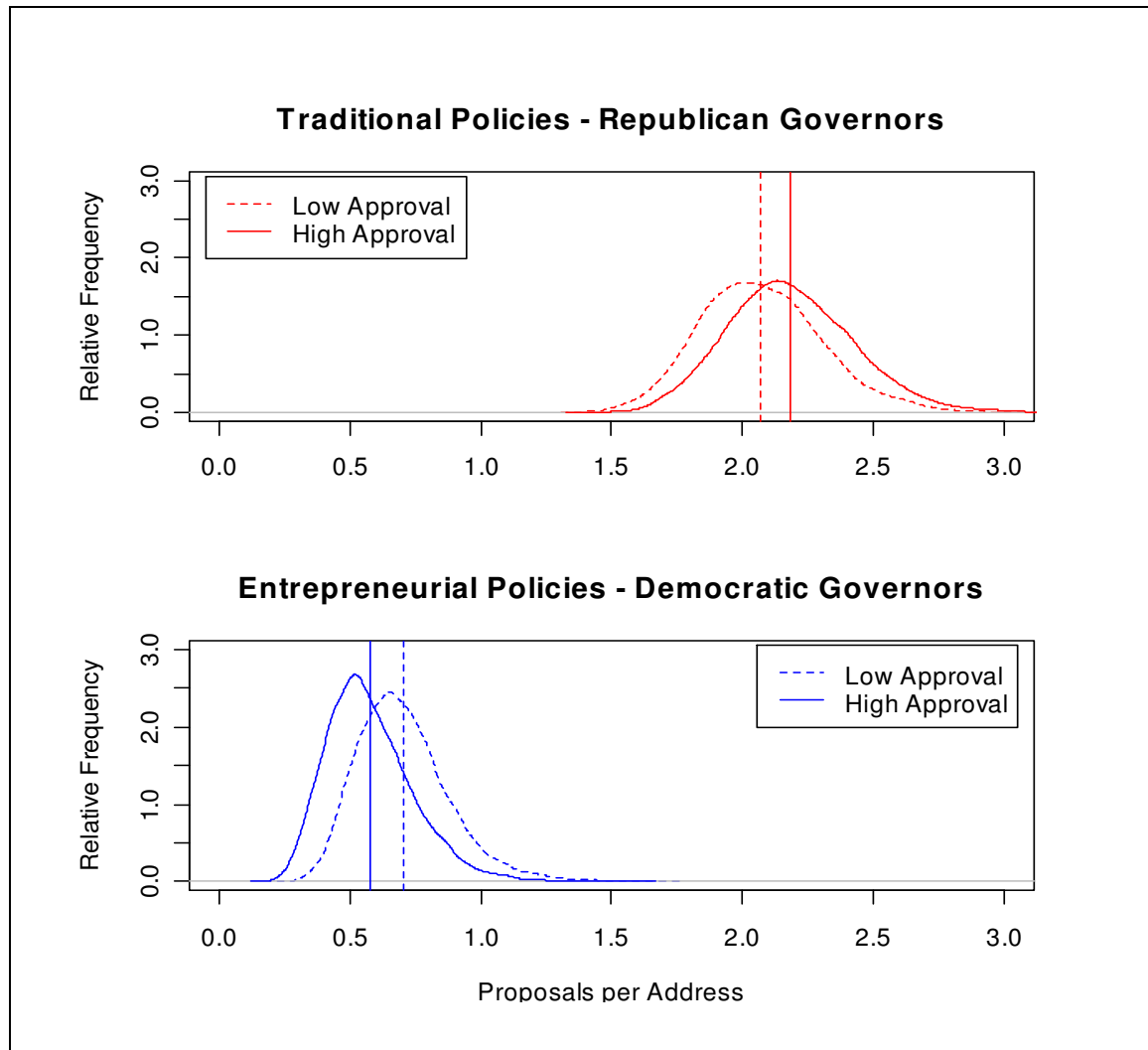
Hypothesis 27: Democratic governors with high public approval ratings will include a greater number of entrepreneurial economic development policies on their legislative agendas than Democratic governors with low public approval.

I examined my dataset to determine what levels of public approval are unusually high or low because I had no preconceived idea about what constitutes high or low public approval. I found that the 25 percent of governors with the lowest public approval had ratings of 54 percent or lower. The 25 percent of governors who had the highest public approval had ratings at or above 69 percent. Because public approval above or below these two cutoffs was relatively uncommon, I used these two percentages to simulate governors with low and high public approval, respectively.

The simulation results plotted in Figure 5.4 provide little evidence that public approval has any significant influence on the number of economic development policies that governors recommend to state legislatures. The estimates plotted in the top panel indicate that Republican governors with a high level of public approval are expected to propose approximately 2.2 traditional economic development policies per legislative

address. Those with low public approval are expected to propose about 2.1 policies per address. The difference is not statistically significant.

Figure 5.4: Predicted Number of Preferred Economic Development Policies Included in a Governor’s Legislative Address, Conditional on Public Approval, 1997-2006



The estimates presented in the bottom panel of Figure 5.4 indicate that Democratic governors with high levels of public approval are expected to propose less than 0.6 entrepreneurial policies per legislative address. Contrary to my hypothesis, I find that Democratic governors with low levels of public approval propose more

entrepreneurial policies than more popular governors (approximately 0.7 per address).

The difference, however, is not statistically significant.

My findings do not support my hypotheses about the influence of public approval on gubernatorial economic development proposals. The lack of an estimated effect does not necessarily indicate that public approval has no influence, but may instead be a result of the shortcomings in my data. At this time, the job approval dataset compiled by Beyle, Niemi, and Sigelman (2002) is the most comprehensive collection of public approval data regarding governors. Unfortunately, public approval surveys were conducted infrequently in many states. Because of the irregular timing of these surveys, there were many instances in which a state's citizens were not surveyed during the period immediately prior to the governor's legislative address. So that I could obtain a sufficient number of observations for my analysis, I used results from surveys in the dataset that were conducted as much as six months prior to a governor's legislative address. In the cases where I had to use these observations from several months prior to a governor's legislative address, my data may not accurately measure the governor's public approval at the time of his address. Some of the gaps in my data may be filled in the future because the collection of these public approval ratings is an ongoing project (Beyle 2007). As more survey data become available in the future, scholars may be able to obtain better estimates of the influence of public approval on gubernatorial policymaking.

Conclusions

In this chapter, I tested several hypotheses concerning the influence of governors' institutional and personal powers on the economic development policies that they

recommend to state legislatures. Although my analysis failed to support several of my hypotheses, I find evidence that governors use their powers to overcome some constraints on their policy choices. For example, my analysis demonstrates that governors with strong institutional powers propose a larger number of policy recommendations than weak governors. These findings indicate that governors' institutional powers allow them to overcome constraints on agenda size. This result may suggest that scholars need to reconsider the relationship between legislative success and agenda size. Presidential scholars have suggested that presidents should limit the number of items on their legislative agenda to increase their prospects of legislative success (Bond and Fleisher 1990, p. 32; Edwards 1989, p. 201-2; Light 1999, p. 52-53). At the state level, Ferguson (2003) finds that a governor's probability of legislative success decreases as the size of his legislative agenda increases (p. 170). Her finding assumes, however, that gubernatorial strength is held constant and that a governor's decisions about agenda size are independent of the strength of his institutional powers. Ferguson's (2003) theory assumes that strong governors will use their powers to increase the percentage of their proposals that are enacted by the legislature (p. 162-64). My findings, on the other hand, imply that strong governors expand their agendas and attempt to increase the number of proposals that are enacted rather than the percentage.

I also find evidence that governors use the political capital that they receive from an electoral mandate to promote policies that are opposed by members of the opposition party, rather than policies that have more widespread support. This finding is very tentative, however, because there is much uncertainty surrounding my estimate of the

influence of electoral mandates on gubernatorial policy proposals. Overall, my results indicate that governors' institutional and personal powers influence their proposals with regard to economic development policy. Further research is required, however, to understand how governors use their powers in developing and promoting their policy proposals.

CHAPTER VI

CONCLUSION

In this study, I analyzed the economic development policies that governors of all fifty states proposed in their major legislative addresses from 1997 through 2006. My central research question was: Why is there variation in the types of legislative proposals that are developed by governors? This study attempts to resolve a scholarly debate regarding the extent of a governor's influence in the legislative process. A governor's role as chief legislator is based on his ability to recommend legislation and then use his powers to have his proposals enacted and implemented. Many gubernatorial scholars contend that this legislative role allows governors to exert greater influence than other political actors on state public policies (Bernick and Wiggins 1991, p. 73-74; Herzik 1991, p. 25-26; Sanford 1967, p. 184). Other scholars argue that the ability of governors to exercise policy leadership may be overstated. They contend that the executive and legislative branches are coequal partners and make policy by bargaining and negotiating (Rosenthal 1990, p. 3 and 197). Others assert that factors outside of a governor's direct control may constrain a governor's policy choices and prevent him from proposing the policies that he prefers (DiLeo 1997, p. 106-7; Gross 1991, p. 15). My study assessed the influence of these constraints on gubernatorial agenda decisions.

In Chapter II, I developed a theory of gubernatorial policymaking that is based on rational choice theory. I assumed that governors were self-interested political actors who make policy decisions that will enable them to achieve their personal and political goals. These gubernatorial goals include reelection, historical achievement, developing good

policy, and maintaining public support. Because voters hold governors accountable for their states' economic performance, economic development policymaking provides governors with opportunities to pursue these goals. A governor may demonstrate his concern about the state's economic conditions by proposing economic development policies to the legislature and then using his gubernatorial powers to have them enacted. This policymaking activity also allows him to claim credit for any subsequent improvement in the state's economy

I also assumed that constraints imposed by the political environment sometimes prevent governors' from proposing the economic development policies that they prefer the most. For example, if a governor's own party members do not control the legislature or if the state's budgetary resources are inadequate to fund his proposals, then a governor may need to modify his economic development program if he wants to increase his probability of legislative success.

According to my theory, governors may be able to overcome these constraints by using their gubernatorial powers. These powers include not only their institutional powers, such as their ability to veto legislation or make executive appointments, but also their personal powers, such as those provided by an electoral mandate or high public approval. I assumed that these powers would sometimes provide governors with sufficient political capital to overcome legislative resistance to their economic development proposals.

Research Findings

Governors exercise policy leadership by identifying their states' important problems and then recommending legislation to correct those problems. In formulating their legislative agendas, governors have a great deal of latitude in choosing the specific policies that they recommend to state legislatures. This flexibility allows them to pursue multiple goals in some cases. For example, a governor can recommend policies that will not only stimulate his state's economy, but will also meet the approval of important political actors, such as fellow members of his political party or important campaign contributors.

I also find that the political environment imposes constraints on governors' policy choices. The legislative branch is an important source of constraints. Governors recognize that their legislative proposals cannot become law without the cooperation of the legislature. Consequently, governors sometimes modify their proposals so that they can obtain the majority support within a legislature they require to pass legislation. Citizen preferences and the state's prevailing political culture may also constrain the types of policies that a governor recommends. In some situations, however, governors may possess powers that enable them to bargain with legislators from a position of strength. When governors are more powerful, they can place more emphasis on their own policy preferences and make fewer accommodations to legislators' preferences.

In short, I find that the relationship between the executive and legislative branches of government at the state level is similar to the relationship between the two branches at the federal level. Although each branch has powers that can be exercised independently

of the other, policymaking relies primarily on the joint exercise of their shared powers (Fisher 1998, p. 6-7 and 14). At the state level, as at the federal level, we do not have a government of separated powers. Instead, we have what Neustadt (1990) refers to as a “government of separated institutions sharing powers” (p. 29). My findings do not support claims by some gubernatorial scholars and former governors that governors are necessarily the most influential political actors in a state (Bernick and Wiggins 1991, p. 73-74; Herzik 1991, p. 25-26; Sanford 1967, p. 184). My findings are more supportive of Rosenthal’s (1990) contention that in most states the executive and legislative branches are roughly coequal and make policy through a process that relies heavily on bargaining and negotiation (p. 3 and 197).

Although my empirical results do not support all of the hypotheses that I derived from my theory, I find evidence that governors are rational actors who behave strategically when presenting their economic development policy proposals to state legislatures. For example, governors are more likely to include economic development policies on their legislative agendas when their states lag the rest of the nation in economic performance. Furthermore, governors of lagging states also tend to have more expansive economic agendas that include a larger number of traditional economic development policies than governors of states that are economic leaders. Similarly, my results show that governors recommend more entrepreneurial policies to stimulate business creation when their states are deficient in resources for business creation or are experiencing lagging business formation rates.

I also find that governors are strategic in their response to the constraints that are imposed on them by the political environment. For example, my results indicate that Republican governors have a stronger preference for traditional economic development policies than Democratic governors. During periods of divided government, however, I find that Republican governors tend to recommend fewer of these policies. This finding provides evidence that Republican governors recognize that Democratic legislators are not likely to support many traditional policy proposals. Morehouse (1996 and 1998) concludes from her studies of governors' support within state legislatures that governors compromise with the opposition party when it controls the legislature, but she does not examine how they modify their legislative proposals (Morehouse 1996, p. 379; 1998, p. 220). My findings illustrate that one way governors compromise is by proposing fewer policies that the opposition party finds objectionable. They also support claims by DiLeo (1997) and Gross (1991) that factors outside of a governor's control may reduce his leadership ability by preventing him from proposing the policies that he prefers (DiLeo 1997, p. 106-7; Gross 1991, p. 15).

Some of my key findings concern which economic development policies governors propose in response to poor economic conditions in their states. I conclude that when a state's economic performance is lagging the performance of other states – as evidenced by relatively high unemployment rates, relatively low wages, and relatively low firm creation rates – governors respond by proposing larger numbers of traditional economic development policies. They target entrepreneurial policies, on the other hand, specifically at improving poor rates of firm creation.

I was surprised to find that governors devote less space on their legislative agendas to economic development policy when their states' economic conditions are declining than when they are improving. I had assumed that they would view economic decline as a problem and would respond by recommending more economic development policies to state legislatures. Although I cannot be certain why they behave in this manner, I suggest that their behavior may be related to the national business cycle. Other empirical studies have found that national economic conditions do not have as large of an influence on governors' approval ratings and electoral prospects as state economic conditions (Howell and Vanderleeuw 1990, p. 164-65; Partin 1995, p. 88). When there is a national recession, many states may be experiencing economic decline, which may cause voters to view the economic decline as a problem that is best addressed at the federal level. This shift in responsibility may encourage governors to reduce the emphasis they place on economic development policy. When the national economy is expanding, on the other hand, interjurisdictional competition for new business facilities may lead governors to recommend more economic development policies in an attempt to gain an advantage over other states (Noto 1991, p. 253).

When I examine the influence of governors' party affiliation on their economic development proposals, I find that Republican and Democratic governors have different policy preferences. These differences are not as clear-cut as I had expected. Although I find that Republican governors have a greater preference for traditional economic development policies than Democratic governors, I find little difference in their preferences with regard to entrepreneurial policies. This is an important finding because

it contradicts Boeckelman's (1996) finding that Democratic governors recommend more entrepreneurial policies than Republican governors. There is a gap of several years between the period studied by Boeckelman (1996, p. 343) and the period of my study. The difference between our results may indicate that the policy preferences of Republican governors changed during the period between our two studies.

Other key findings relate to the constraints imposed on governors' policy choices by divided government. I find that Republican governors recommend fewer traditional policies during periods of divided government than during periods when their own party members control the legislature. As I explained earlier, this finding provides evidence that governors recognize that they need the cooperation of the legislature to enact their policies. Consequently, they make fewer proposals that are not favored by the opposition party during periods of divided government.

I had assumed that divided government would lead Democratic governors to compromise with Republican legislators by reducing the number of entrepreneurial policies that they proposed. I found, however, that divided government has no significant influence on Democratic governors' entrepreneurial proposals. This finding, although contrary to my theory, supports my earlier finding that Democrats and Republicans have similar preferences for entrepreneurial policies. If Republican legislators have preferences for entrepreneurial policies that are similar to those of Democrats, then Democratic governors would have no reason to reduce the number of entrepreneurial proposals during periods of divided government.

My findings with regard to the influence of budgetary conditions on gubernatorial economic development proposals are mixed. I find no significant difference between the number of economic development proposals that governors recommend during periods of budget growth and budget decline. On the other hand, I find that governors are significantly more likely to recommend traditional economic development policies during periods of budget growth. I do not find any evidence that budgetary conditions influence governors' recommendations regarding entrepreneurial policies.

I also examine whether citizen liberalism constrains governors' economic development policy decisions. As predicted, I find that governors of states with high levels of citizen liberalism recommend a greater number of entrepreneurial policies. I do not find that citizen liberalism has any influence on governors' traditional economic development policy proposals. The difference may be explained by the role of site location consultants in lobbying state government officials on behalf of mobile business firms. These consultants encourage states to compete with one another by using traditional economic development policies to lower business costs in their states (Markusen and Nesse 2007, p. 12; Thomas 2007, p. 43). Site location consultants do not play the same role in decisions about entrepreneurial policies. Consequently, citizen preferences may have a greater effect on governors' entrepreneurial policies because they are not competing with the consultants for influence.

My findings with regard to state political culture are also mixed. I find that governors of traditionalistic states tend to propose more traditional economic development policies than those of moralistic or individualistic states. This finding is in

agreement with the findings of Boeckelman (1991) and Hanson (1991), who each found that traditionalistic states rely more heavily on traditional economic development policies than states with moralistic or individualistic political cultures (Boeckelman 1991, p. 57; Hanson 1991, p. 79). I find no evidence, however, that political culture influences gubernatorial decisions about entrepreneurial policies.

My analysis provides limited evidence that interjurisdictional competition leads governors of states with high-cost business climates to try to lower business costs by recommending more traditional economic development policies. I find that governors of high-cost states tend to recommend more of these policies than governors of low-cost states, although the difference is not significant. My analysis shows, however, that one component of a high-cost business climate – high workers' compensation expenses – has a significant influence on governors' traditional policy recommendations. I find no evidence, however, that the business climates of neighboring states have any particular influence on governors' decisions about traditional policies.

I also investigate whether governors try to eliminate deficiencies in their states' entrepreneurial resources by recommending more entrepreneurial economic development policies. My results show that governors use entrepreneurial policies to correct these deficiencies by providing resources, such as venture capital financing, that will stimulate business formation. This finding provides additional support for my earlier finding that governors target entrepreneurial policies at enhancing low rates of business formation rather than at generally poor economic conditions. I find no evidence, however, that

governors' entrepreneurial proposals are influenced by the resources of their neighboring states.

In my study, I analyzed the influence of governors' institutional and personal powers and investigated whether these powers allowed them to overcome constraints imposed by the political environment. First, I examined the influence of governors' institutional powers, such as their veto authority and tenure potential. I hypothesized that governors would use these powers during periods of divided government to bargain with opposition legislators for their support. I further assumed that the resources provided by these powers would not allow them to obtain the votes of a large number of opposition legislators. Consequently, I expected that the influence of governors' institutional powers on their policy proposals would be much less when they needed a large number of opposition votes than when they needed only a few. I find that strong Republican governors tend to propose a significantly greater number of traditional economic development policies during periods of divided government than weak Republican governors. My results indicate, however, that the influence of their institutional powers is approximately the same when they need a large number of opposition votes as when they need only a few. Similarly, I find that strong Democratic governors tend to propose significantly more entrepreneurial policies during periods of divided government than weak Democratic governors. The differences between strong and weak Democratic governors, however, are not statistically significant.

Although my findings support the idea that governors' institutional powers allow them to overcome constraints imposed by the political environment, my results cannot be

interpreted to support my theory that they use these resources to bargain for individual votes. These findings are more consistent with an alternative explanation of the differences between strong and weak governors. When I measured governors' institutional powers, I focused on the powers that would be most useful in bargaining, rather than measures that would be useful in policy development. If governors who are strong on the bargaining dimension are also strong on the policy development dimension, then my findings may indicate that strong governors are able to overcome constraints on agenda size. Although this interpretation of my findings is tentative, it is consistent with other scholars' findings that states with institutionally strong governors tend to enact and implement a larger variety of economic development programs (Ambrosius 1989, p. 63; Elkins, Bingham, and Bowen 1996, p. 167).

I also investigated whether governors use the personal power they derive from an electoral mandate to overcome legislative opposition to their economic development proposals. My findings suggest that having an electoral mandate affects governors' traditional and entrepreneurial economic development proposals differently. During periods of divided government, Republican governors with an electoral mandate propose a substantially greater number of traditional policies than those lacking a mandate, although this difference is not statistically significant. I find no evidence, however, that possession of an electoral mandate has any influence on Democratic governors' decisions regarding entrepreneurial policies. I interpret this difference as further evidence that there are strong partisan divisions with regard to traditional policies, but that governors and legislators of both parties tend to support entrepreneurial economic development

programs. My conclusions regarding mandates are tentative, however, because of the high level of uncertainty surrounding my estimates of their influence.

I concluded by analyzing the influence of governors' public approval ratings. Although I do not find that public approval has any significant influence on governors' economic development proposals, I hesitate to conclude that public approval has no influence on governors' policy recommendations. Despite using the best available data concerning governors' public approval ratings, the data do not allow me to accurately measure most governors' public approval ratings in close temporal proximity to their legislative addresses. Consequently, I consider my findings regarding this issue to be inconclusive. An analysis of the job approval data reveals, however, that these job approval surveys have been conducted with increasing frequency and in a larger number of states during recent years.²³ Future studies concerning governors' public approval ratings may not be affected as badly by gaps in the public approval data.

Future Research on Governors and Economic Development Policy

My study of gubernatorial economic development policymaking leaves many questions unanswered. Some of these questions concern governors' decisions with regard to economic development policy. Other questions relate to the interactions that take place between governors and state legislatures as governors work for the ratification of their

²³ The dataset contains the results of 1,599 surveys conducted during the period from 1990 to 1999, which is an average of approximately 160 per year. For the period from 2000 to 2006, the dataset contains the results of 1,951 surveys, which is an average of approximately 278 per year. The dataset contains over 550 survey results for 2005 and more than 760 for 2006.

proposals. There are also questions regarding the policymaking venues outside of the legislature that are available to governors.

There are several directions in which scholars should proceed to study governors and economic development policy beyond my research study. An area of primary importance is the study of legislative responses to governors' economic development proposals. My study focuses on the economic development policies that governors recommend to state legislatures within their major legislative addresses. A state's governor, however, is only one of many actors who participate in the policy process (Morehouse and Jewell 2003, p. 19-24). Many of these other actors possess agenda setting, gatekeeping, or "veto" power which allows them to influence public policy decisions (Blomquist 1999, p. 213-14). At the state level, governors and legislatures share primary responsibility and authority for formulating and enacting public policy (Rosenthal 1990, p. 2). After a governor makes his recommendations, bills to implement them must be drafted and introduced to the legislature. Once the bills are introduced, then the governor or his legislative liaison staff members must work with legislative leaders and individual legislators to ensure that the bills progress through all of the stages of the legislative process to be enacted into law. Each step in this process provides legislators who oppose the governor's proposals with opportunities to either amend them in ways that are unacceptable to the governor or to block them and prevent them from passing (Slavin and Adler 1996, p. 229-34). Even if a governor is successful at achieving the passage of legislation authorizing his economic development policies, his opponents may be able to prevent or reduce the appropriations required to implement them. This conflict

may even extend into the implementation phase as the legislature and governor both try to influence the agency or commission that is administering a particular economic development program (Rosenthal 1990, p. 167-68; Slavin and Adler 1996, p. 235).

In my study, I considered the possibility that legislators belonging to the opposition party would oppose a governor's proposals because of partisan differences. Partisanship, however, is not the only source of legislative opposition to a governor's policy proposals. For example, governors have statewide constituencies, while the main constituencies of legislators are located within their districts (Rosenthal 1990, p. 52-54). Consequently, even legislators belonging to a governor's own party may oppose his policy proposals if they do not help specific firms or industries that are located within their districts (Slavin and Adler 1996, p. 226-28). Similarly, a governor's political party may be divided into ideological factions that limit the legislative support he obtains for his proposals (Beyle 1983, p. 206; Jewell 1969, p. 81-82; Ransone 1982, p. 168-69). Because legislative opposition to a governor's proposals can arise at multiple points in the policy process for one of several reasons, there are many different ways that governors may fail within the legislative arena. Studies that examine why individual legislators support or oppose a governor's economic development policies would enhance our knowledge of gubernatorial-legislative relations.

Although my study focused on the decisions that governors make as they formulate their legislative proposals, they must make many more decisions as they guide their proposals through the legislative process. For example, in some situations governors may adopt an inside strategy in which they bargain with legislative leaders and other

legislators to support their proposals. In cases such as these, governors must decide what combination of threats and promises will allow them to obtain the votes they need to pass their proposals. In other situations, governors may adopt an outside strategy in which they attempt to influence legislators by building support for their policies among members of the public (Bernick and Wiggins 1991, p. 73-74; Beyle 1983, p. 206; Beyle 2004, p. 221; Morehouse 1976, p. 221; Morehouse and Jewell 2003, p. 188; Ransone 1982, p. 148-56 and 159; Rosenthal 1990, p. 35-36, 67-68, and 108-9). In my study, I considered these issues only with regard to how they might affect the initial formulation of governors' legislative agendas. For example, I made assumptions about how governors would use their institutional and personal powers to promote their economic development proposals in the legislature, and then tested the influence of these powers on the types of policies that they recommended. I did not examine how governors actually use their powers as their proposals advance through the legislative process because the scope of my study did not extend that far. Ferguson (2003) contends that scholars lack a clear understanding of which gubernatorial powers are most effective in the legislative arena (p. 172-73). Studies that examine how governors' economic development policy recommendations progress through the legislative process would allow scholars to clarify this issue.

Scholars might also analyze whether the level of legislative success that a governor achieves in one session influences the types of policies that he recommends in the next session. Rosenthal (1990) suggests that a proposal may fail to pass during the first legislative session in which it is introduced. Therefore, governors should be prepared

to reintroduce failed measures in subsequent sessions (Rosenthal 1990, p. 104).

Oklahoma Governor Frank Keating provides an example of this sort of persistence by a governor. In his 1998 and 1999 state of the state addresses, Governor Keating proposed enacting “right-to-work” legislation to prohibit employers from requiring their employees to join a union (Keating 1998, 1999). In his 2000 address, Governor Keating modified his proposal and asked the legislature to submit a referendum on the issue to the state’s voters (Keating 2000). Governor Keating was finally successful in 2001 when he again urged the legislature to allow voters to consider the issue (Keating 2001). The legislature scheduled a referendum and Oklahoma voters approved an amendment to the state constitution enacting Governor Keating’s right-to-work policy.²⁴ In this situation, Governor Keating’s repeated decisions not to abandon the issue, along with his willingness to modify his policy proposal, eventually resulted in a major policy change. In other situations, however, a governor might decide that reintroducing a failed proposal is a waste of his resources that could be better devoted to another issue. Studies that examine how governors make these types of decisions would expand our knowledge of how governors formulate their legislative agendas.

Another topic requiring further study concerns the existence of party-related preferences regarding different types of economic development policies. In his study of governors’ economic development proposals, Boeckelman (1996) finds that Republican governors had a greater preference for traditional economic development policies than

²⁴ I obtained information concerning the outcome of the referendum from two sources: the Initiative and Referendum Database maintained by the National Conference of State Legislatures, which may be accessed at <http://www.ncsl.org/programs/legismgt/elect/dbintro.htm>, and the Oklahoma State Elections Board website, which may be accessed at <http://www.state.ok.us/~elections>.

Democratic governors, and that Democratic governors had a greater preference for entrepreneurial policies (p. 347). My analysis confirms his findings with regard to Republican governors' stronger preferences for traditional policies, but contradicts his findings with regard to entrepreneurial policies. Boeckelman (1996) examined governors' economic development proposals at a single point in time approximately four years prior to the period of my study (p. 343). It is possible that Republican governors' preferences for entrepreneurial policies changed during the intervening years, which could explain the difference in our findings. Although my dataset covers a ten-year period, I merely pooled the data from all years and did not perform any time series analysis. In the future, I can extend my study by examining whether gubernatorial policy preferences change over time.

When studying economic development policy in a legislative context, it is important to remember that legislatures are not limited to considering only gubernatorial proposals. Legislators may have their own economic development policy agendas and may introduce their own proposals that compete with the governor's proposals for space on the legislative agenda. As a result, many policy proposals are initiated by legislators rather than governors (Rosenthal 1990, p. 199). For this reason, an exclusive focus on policies initiated by governors may ignore a large segment of state government economic development policymaking. Additionally, examining legislators' policy proposals and the level of support that these proposals receive within the legislature will provide information regarding legislators' policy preferences. This information could, in turn, help scholars to explain the varying levels of support that governors' proposals receive

within the legislature. For these reasons, studies that focus on why legislators sponsor, cosponsor, or otherwise support particular economic development bills will help advance our understanding of a state government's role in economic development policy.

It is also important to remember that governors may advance their economic development agendas by using unilateral tools, such as executive orders. I excluded governors' unilateral economic development proposals from my analysis because my study focused on the formal legislative process. The use of these unilateral tools by governors has received relatively little attention within the scholarly literature. Studies of policymaking at the federal level, however, find that presidents use these tools to exert influence over public policies (see, for example, Howell 2003). These unilateral tools may also be important gubernatorial resources and scholars should analyze how governors use them in economic development policymaking.

Another avenue for research is to examine the relationship between governors' economic development policies and their policymaking activity with regard to other issues. My study focused specifically on governors' economic development proposals. I examined how the economic and political environment influences governors' decisions about including economic development on their legislative agendas and proposing traditional or entrepreneurial economic development policies. My study did not specifically consider the other policy issues that governors may discuss in their speeches, such as elementary and secondary education, criminal justice, health care, or transportation. These other policy issues compete with economic development for space on governors' legislative agendas. Consequently, the attention that a governor pays to

economic development policy may depend not only on a state's economic conditions, but also on the state's needs with regard to these other policy areas. Analyzing why governors place these other policy issues on their legislative agendas will help scholars to understand how governors make tradeoffs between economic development and these other issues.

The theoretical framework and methods that I develop in this dissertation can be used to analyze other gubernatorial statements regarding economic development policy, such as press releases, budget documents, and executive orders. Governors use these other forms of communication throughout the course of their administrations to present their views of the economic challenges confronting their states and to outline their solutions for solving economic problems. Scholars could use these statements to analyze how governors' economic development policies evolve during the periods between legislative addresses. For example, the statements that a governor makes during the late stages of a legislative session could be compared to his state of the state address to determine if his policy positions have changed in response to legislative events or changes in the economy.

The Internet has made it easier to obtain the text of legislative addresses and other gubernatorial policy statements. The enhanced availability of these data sources not only provides future scholars with abundant opportunities to study governors' policy positions, but it is also stimulating the development of new methods for automating the collection and analysis of these data (see, for example, Hopkins and King 2007 and Laver, Benoit,

and Garry 2003). The theoretical framework that I developed in this study can be adapted to these new empirical methods.

The study of state politics and policymaking is an important subfield within the study of American government. State governments have the primary policymaking responsibility within a number of major policy domains, such as education, transportation, and criminal justice (Morehouse and Jewell 2003, p. 24; Gray 2004, p. 2). Consequently, understanding how public policies are formulated within these domains requires analyzing policy processes at the state level. Furthermore, since the early 1980s, the federal government has devolved increased responsibilities to the states for activities which had previously been considered as functions of the federal government (Morehouse and Jewell 2003, p. 25). These changes have further enhanced the importance of understanding state politics and policy.

Prominent state politics scholars have observed that many studies of state politics and policymaking have focused on narrow questions about specific aspects of state politics, rather than developing theories about political behavior in the states. They suggest that these theories are needed to place the narrow questions in a broader context (Clucas 2003, p. 388; Jewell 1982, p. 651). Scholars have also observed that state politics and policy studies are frequently hindered by the difficulty of assembling data from all fifty states (Beyle, Niemi, and Sigelman 2002, p. 216). In recent years, however, scholars have begun to assemble a number of comprehensive datasets regarding important aspects of state political institutions and environments.

The debate concerning the relative influence of governors and legislators over state public policymaking remains unresolved. Some gubernatorial scholars contend that governors wield the greatest influence, while other scholars argue that neither branch is dominant (Bernick and Wiggins 1991, p. 73-74; Herzik 1991, p. 25-26; Rosenthal 1990, p. 3 and 197). Clearly, there is much left for scholars to learn about the role of the governor in the legislative process. There is, however, encouraging progress being made toward developing theories and collecting data that will foster the systematic investigation of gubernatorial-legislative relations.

APPENDIX

Table A.1: Summary Statistics

Variable	Mean	SD	Min	Max	N
Address Includes One or More Traditional Proposals	0.65	0.48	0	1	442
Address Includes One or More Entrepreneurial Proposals	0.41	0.49	0	1	442
Number of Traditional Policy Proposals per Address	1.78	2.11	0	12	442
Number of Entrepreneurial Policy Proposals per Address	0.85	1.44	0	13	442
Relative Average Wage	-7.93	14.40	-30.63	29.35	480
Relative Unemployment Rate	-0.49	1.12	-3.30	7.40	480
Relative Firm Creation Rate	-0.03	3.09	-6.31	12.11	480
Annual Change in Average Wage	1.27	1.35	-2.43	6.24	480
Annual Change in Unemployment Rate	-0.16	0.81	-2.70	6.60	480
Annual Change in Firm Creation Rate	-0.13	1.39	-7.09	11.59	480
Projected Change in General Fund Revenue	-0.12	5.07	-28.47	21.76	480
Relative State Tax Revenue	0.00	417.50	-1043.42	1400.65	480
Relative Workers' Compensation Expenditures	0.00	133.98	-196.75	789.34	480
Relative High Tech Employment	0.00	1.91	-2.76	5.39	480
Relative Private Venture Capital Funding	0.00	293.32	-490.24	2878.91	480
Relative Academic R&D Expenditures	0.00	93.23	-162.39	509.74	480
Relative State Tax Revenue of Neighboring States	-38.87	429.30	-1043.42	1322.19	480
Relative Workers' Compensation Expenditures of Neighboring States	-6.82	59.99	-156.84	187.19	480
Relative High Tech Employment of Neighboring States	0.00	1.22	-1.93	3.71	480
Relative Private Venture Capital Funding of Neighboring States	11.46	194.16	-476.02	1675.19	480
Relative Academic R&D Expenditures of Neighboring States	3.02	51.64	-70.22	173.34	480
Citizen Liberalism	-13.85	8.67	-30.15	7.97	480
<i>Continued on next page</i>					

Table A.1 (*continued*)

Variable	Mean	SD	Min	Max	N
Individualistic Political Culture	0.31	0.46	0	1	480
Traditionalistic Political Culture	0.33	0.47	0	1	480
Republican Governor	0.54	0.50	0	1	480
Democratic Governor	0.36	0.48	0	1	480
Republican Legislature	0.37	0.48	0	1	470
Democratic Legislature	0.37	0.48	0	1	470
Strong Powers	0.26	0.44	0	1	480
Weak Powers	0.30	0.46	0	1	480
Opposition Votes Needed	9.98	15.93	0	75	460
Electoral Mandate	1.89	0.95	0	4	480
Year in Current Term	1.47	1.11	0	3	480
Public Approval	61.37	13.51	19.15	95.24	227

Table A.2: Logistic Regression Results Predicting the Inclusion of Economic Development Proposals in Gubernatorial Legislative Addresses, 1997-2006

Variable	Traditional Policies	Entrepreneurial Policies
	Coefficient (S.E.)	Coefficient (S.E.)
Relative Unemployment Rate	0.404*** (0.128)	-0.228* (0.120)
Relative Average Wage	-0.006 (0.016)	-0.005 (0.015)
Relative Firm Creation Rate	-0.146*** (0.049)	-0.051 (0.047)
Annual Change in Unemployment Rate	-0.284* (0.155)	0.187 (0.147)
Annual Change in Average Wage	-0.001 (0.089)	-0.055 (0.086)
Annual Change in Firm Creation Rate	0.197** (0.085)	0.170** (0.081)
Projected Change in General Fund Revenue	0.039* (0.023)	0.007 (0.022)
Relative State Tax Revenue	-2.26 x10 ⁻⁴ (3.82 x10 ⁻⁴)	1.49 x10 ⁻⁴ (3.66 x10 ⁻⁴)
Relative Workers' Compensation Expenditures	0.001 (0.001)	-5.09 x10 ⁻⁴ (9.44 x10 ⁻⁴)
Relative High Tech Employment	0.006 (0.097)	-0.182** (0.091)
Relative Private Venture Capital Funding	3.26 x10 ⁻⁵ (5.19 x10 ⁻⁴)	-4.43 x10 ⁻⁴ (5.62 x10 ⁻⁴)
Relative Academic R&D Expenditures	0.002 (0.002)	0.003** (0.001)
Relative State Tax Revenue of Neighboring States	2.94 x10 ⁻⁵ (4.41 x10 ⁻⁴)	5.43 x10 ⁻⁴ (4.03 x10 ⁻⁴)
Relative Workers' Compensation Expenditures of Neighboring States	-0.003 (0.002)	0.001 (0.002)
Relative High Tech Employment of Neighboring States	0.535*** (0.181)	0.272* (0.165)
Relative Private Venture Capital Funding of Neighboring States	-0.002*** (8.54 x10 ⁻⁴)	0.001 (0.001)

Continued on next page

Table A.2 (*continued*)

Variable	Traditional Policies	Entrepreneurial Policies
	Coefficient (S.E.)	Coefficient (S.E.)
Relative Academic R&D Expenditures of Neighboring States	0.004 (0.004)	-0.006 (0.004)
Citizen Liberalism	0.008 (0.028)	0.062** (0.027)
Individualistic Political Culture	-0.068 (0.412)	-0.397 (0.386)
Traditionalistic Political Culture	-0.051 (0.369)	-0.265 (0.348)
Republican Governor	0.181 (1.400)	1.198 (1.342)
Democratic Governor	-0.465 (1.410)	0.613 (1.355)
Republican Legislature	-0.117 (0.441)	0.600 (0.437)
Democratic Legislature	-0.935 (1.820)	0.238 (1.700)
Republican Governor x Republican Legislature	0.347 (0.611)	-0.634 (0.585)
Republican Governor x Democratic Legislature	0.459 (1.870)	-0.540 (1.751)
Democratic Governor x Republican Legislature	NA	NA
Democratic Governor x Democratic Legislature	0.677 (1.870)	0.140 (1.753)
Intercept	1.170 (1.410)	-0.265 (1.353)
N	432	432
Null Deviance	559.2 on 431 df	586.1 on 431 df
Residual Deviance	499.0 on 404 df	439.8 on 404 df

* $p < 0.1$; ** $p < 0.05$; *** $p < 0.01$ (all two-tailed tests).

Estimates are unstandardized maximum likelihood coefficients.

Table A.3: Negative Binomial Regression Results Predicting the Number of Gubernatorial Economic Development Proposals per Legislative Address, 1997-2006

Variable	Traditional Policies Coefficient (S.E.)	Entrepreneurial Policies Coefficient (S.E.)
Relative Unemployment Rate	0.106** (0.061)	-0.130 (0.089)
Relative Average Wage	-0.003 (0.007)	0.004 (0.010)
Relative Firm Creation Rate	-0.086*** (0.025)	-0.069* (0.035)
Annual Change in Unemployment Rate	-0.147** (0.076)	0.047 (0.110)
Annual Change in Average Wage	0.031 (0.044)	0.005 (0.064)
Annual Change in Firm Creation Rate	0.128*** (0.040)	0.141** (0.056)
Projected Change in General Fund Revenue	0.017 (0.012)	0.005 (0.016)
Relative State Tax Revenue	3.32×10^{-5} (1.95×10^{-4})	-7.93×10^{-4} *** (2.64×10^{-4})
Relative Workers' Compensation Expenditures	8.84×10^{-4} ** (4.43×10^{-4})	-1.13×10^{-4} (6.93×10^{-4})
Relative High Tech Employment	-0.004 (0.046)	-0.135** (0.067)
Relative Private Venture Capital Funding	-1.99×10^{-4} (2.40×10^{-4})	-6.67×10^{-4} (4.42×10^{-4})
Relative Academic R&D Expenditures	6.53×10^{-4} (8.64×10^{-4})	-5.86×10^{-4} (1.18×10^{-3})
Relative State Tax Revenue of Neighboring States	1.09×10^{-4} (2.06×10^{-4})	-8.66×10^{-5} (2.83×10^{-4})
Relative Workers' Compensation Expenditures of Neighboring States	-9.58×10^{-4} (1.18×10^{-3})	1.44×10^{-4} (1.64×10^{-3})
Relative High Tech Employment of Neighboring States	0.318*** (0.085)	0.134 (0.119)
Relative Private Venture Capital Funding of Neighboring States	-1.02×10^{-3} ** (4.20×10^{-4})	-6.75×10^{-4} (5.64×10^{-4})

Continued on next page

Table A.3 (*continued*)

Variable	Traditional Policies Coefficient (S.E.)	Entrepreneurial Policies Coefficient (S.E.)
Relative Academic R&D Expenditures of Neighboring States	2.24 x10 ⁻⁴ (1.96 x10 ⁻³)	0.001 (0.003)
Citizen Liberalism	0.009 (0.013)	0.059*** (0.018)
Individualistic Political Culture	0.061 (0.205)	-0.085 (0.267)
Traditionalistic Political Culture	0.336* (0.180)	-0.206 (0.254)
Republican Governor	-0.661 (0.597)	1.220 (1.240)
Democratic Governor	1.260** (0.609)	0.506 (1.250)
Republican Legislature	-0.084 (0.255)	0.394 (0.328)
Democratic Legislature	-1.630** (0.832)	-0.310 (1.500)
Republican Governor x Republican Legislature	0.245 (0.320)	-0.539 (0.422)
Republican Governor x Democratic Legislature	1.250 (0.860)	-0.286 (1.530)
Democratic Governor x Republican Legislature	NA	NA
Democratic Governor x Democratic Legislature	1.840** (0.864)	0.611 (1.530)
Intercept	1.360* (0.604)	-0.289 (1.250)
N	432	432
2 x Log-likelihood	-1488.81	-1038.3
Null Deviance	570.3 on 431 df	457.8 on 431 df
Residual Deviance	475.3 on 404 df	389.7 on 404 df

* p < 0.1; ** p < 0.05; *** p < 0.01 (all two-tailed tests).

Estimates are unstandardized maximum likelihood coefficients.

Table A.4: Negative Binomial Regression Results Predicting the Influence of Institutional Powers on the Number of Gubernatorial Economic Development Proposals per Legislative Address, 1997-2006

Variable	Traditional Policies	Entrepreneurial Policies
	Coefficient (S.E.)	Coefficient (S.E.)
Strong Powers	0.223 (0.282)	0.149 (0.387)
Weak Powers	-0.193 (0.268)	-0.406 (0.399)
Opposition Votes Needed	0.005 (0.019)	-0.004 (0.027)
Republican Governor	0.451** (0.229)	0.455 (0.330)
Strong Powers x Opposition Votes Needed	-0.005 (0.028)	0.020 (0.037)
Weak Powers x Opposition Votes Needed	6.49×10^{-4} (2.13×10^{-2})	0.028 (0.029)
Republican Governor x Strong Powers	0.246 (0.343)	0.123 (0.473)
Republican Governor x Weak Powers	0.232 (0.347)	0.216 (0.509)
Republican Governor x Opposition Votes Needed	-2.78×10^{-4} (2.04×10^{-2})	-0.027 (0.031)
Republican Governor x Strong Powers x Opposition Votes Needed	-0.004 (0.030)	-0.011 (0.041)
Republican Governor x Weak Powers x Opposition Votes Needed	-0.014 (0.024)	0.001 (0.034)
Relative Unemployment Rate	0.113* (0.061)	-0.139 (0.092)
Relative Average Wage	-0.010 (0.007)	0.004 (0.011)
Relative Firm Creation Rate	-0.087*** (0.026)	-0.079** (0.037)
Annual Change in Unemployment Rate	-0.152** (0.077)	0.053 (0.112)
Annual Change in Average Wage	0.026 (0.044)	-0.020 (0.066)

Continued on next page

Table A.4 (*continued*)

Variable	Traditional Policies Coefficient (S.E.)	Entrepreneurial Policies Coefficient (S.E.)
Annual Change in Firm Creation Rate	0.131*** (0.040)	0.168*** (0.057)
Projected Change in General Fund Revenue	0.019 (0.012)	0.006 (0.016)
Relative State Tax Revenue	-1.44 x10 ⁻⁴ (2.05 x10 ⁻⁴)	-6.32 x10 ^{-4**} (2.85 x10 ⁻⁴)
Relative Workers' Compensation Expenditures	7.24 x10 ^{-4*} (4.32 x10 ⁻⁴)	-2.16 x10 ⁻⁴ (6.94 x10 ⁻⁴)
Relative High Tech Employment	0.011 (0.047)	-0.123* (0.068)
Relative Private Venture Capital Funding	-3.41 x10 ⁻⁵ (2.52 x10 ⁻⁴)	-6.00 x10 ⁻⁴ (4.93 x10 ⁻⁴)
Relative Academic R&D Expenditures	2.15 x10 ⁻⁴ (8.53 x10 ⁻⁴)	-6.16 x10 ⁻⁴ (1.20 x10 ⁻³)
Relative State Tax Revenue of Neighboring States	7.49 x10 ⁻⁵ (2.16 x10 ⁻⁴)	-2.66 x10 ⁻⁴ (3.02 x10 ⁻⁴)
Relative Workers' Compensation Expenditures of Neighboring States	-0.001 (0.001)	2.07 x10 ⁻⁴ (1.64 x10 ⁻³)
Relative High Tech Employment of Neighboring States	0.358*** (0.088)	0.162 (0.127)
Relative Private Venture Capital Funding of Neighboring States	-8.01 x10 ^{-4**} (4.36 x10 ⁻⁴)	7.75 x10 ⁻⁴ (6.01 x10 ⁻⁴)
Relative Academic R&D Expenditures of Neighboring States	1.02 x10 ⁻⁴ (1.98 x10 ⁻³)	4.68 x10 ⁻⁴ (2.88 x10 ⁻³)
Citizen Liberalism	0.013 (0.013)	0.065*** (0.019)
Individualistic Political Culture	0.211 (0.202)	0.018 (0.268)
Traditionalistic Political Culture	0.317* (0.176)	0.023 (0.254)
<i>Continued on next page</i>		

Table A.4 (*continued*)

Variable	Traditional Policies Coefficient (S.E.)	Entrepreneurial Policies Coefficient (S.E.)
Intercept	0.163* (0.270)	0.403 (0.382)
N	423	423
2 x Log-likelihood	-1450.54	-1014.7
Null Deviance	562.6 on 422 df	456.7 on 422 df
Residual Deviance	467.1 on 391 df	381.3 on 391 df

* $p < 0.1$; ** $p < 0.05$; *** $p < 0.01$ (all two-tailed tests).

Estimates are unstandardized maximum likelihood coefficients.

Table A.5: Negative Binomial Regression Results Predicting the Influence of an Electoral Mandate on the Number of Gubernatorial Economic Development Proposals per Legislative Address, 1997-2006

Variable	Traditional Policies	Entrepreneurial Policies
	Coefficient (S.E.)	Coefficient (S.E.)
Electoral Mandate	0.429 (0.349)	-0.092 (0.475)
Year in Current Term	0.277 (0.317)	-0.202 (0.541)
Republican Governor	-0.157 (0.807)	0.785 (1.450)
Democratic Governor	0.955 (0.823)	0.045 (1.470)
Electoral Mandate x Year in Current Term	-0.164 (0.210)	0.023 (0.279)
Republican Governor x Electoral Mandate	0.089 (0.448)	-0.328 (0.661)
Democratic Governor x Electoral Mandate	NA	NA
Republican Governor x Year in Current Term	-0.230 (0.324)	0.312 (0.549)
Democratic Governor x Year in Current Term	-0.177 (0.331)	0.307 (0.554)
Republican Governor x Year in Current Term x Electoral Mandate	-0.147 (0.254)	0.023 (0.353)
Democratic Governor x Year in Current Term x Electoral Mandate	NA	NA
Relative Unemployment Rate	0.125** (0.061)	-0.131 (0.090)
Relative Average Wage	-0.003 (0.007)	0.005 (0.010)
Relative Firm Creation Rate	-0.090*** (0.025)	-0.070** (0.035)
Annual Change in Unemployment Rate	-0.174** (0.077)	0.039 (0.110)
Annual Change in Average Wage	0.038 (0.043)	0.015 (0.065)
Annual Change in Firm Creation Rate	0.120*** (0.040)	0.120** (0.057)

Continued on next page

Table A.5 (*continued*)

Variable	Traditional Policies Coefficient (S.E.)	Entrepreneurial Policies Coefficient (S.E.)
Projected Change in General Fund Revenue	0.018 (0.012)	0.002 (0.016)
Relative State Tax Revenue	9.41×10^{-5} (1.99×10^{-4})	$-8.44 \times 10^{-4***}$ (2.73×10^{-4})
Relative Workers' Compensation Expenditures	$7.72 \times 10^{-4*}$ (4.50×10^{-4})	-1.33×10^{-4} (7.08×10^{-4})
Relative High Tech Employment	4.63×10^{-4} (4.65×10^{-2})	$-0.142**$ (0.067)
Relative Private Venture Capital Funding	-2.02×10^{-4} (2.36×10^{-4})	-6.65×10^{-4} (4.37×10^{-4})
Relative Academic R&D Expenditures	5.57×10^{-5} (2.16×10^{-4})	-4.76×10^{-4} (1.20×10^{-3})
Relative State Tax Revenue of Neighboring States	1.05×10^{-4} (2.07×10^{-4})	-7.82×10^{-6} (2.86×10^{-4})
Relative Workers' Compensation Expenditures of Neighboring States	-0.001 (0.001)	-2.56×10^{-4} (1.65×10^{-3})
Relative High Tech Employment of Neighboring States	0.326*** (0.085)	0.133 (0.120)
Relative Private Venture Capital Funding of Neighboring States	$-1.01 \times 10^{-3**}$ (4.19×10^{-4})	-7.13×10^{-4} (5.63×10^{-4})
Relative Academic R&D Expenditures of Neighboring States	-2.11×10^{-4} (1.96×10^{-3})	6.94×10^{-4} (2.84×10^{-3})
Citizen Liberalism	0.008 (0.013)	0.060*** (0.019)
Individualistic Political Culture	0.069 (0.206)	-0.149 (0.272)
Traditionalistic Political Culture	0.336* (0.179)	-0.197 (0.253)
Republican Legislature	-0.063 (0.255)	0.377 (0.329)
Democratic Legislature	-1.690** (0.827)	-0.188 (1.510)

Continued on next page

Table A.5 (*continued*)

Variable	Traditional Policies Coefficient (S.E.)	Entrepreneurial Policies Coefficient (S.E.)
Republican Governor x Republican Legislature	0.218 (0.319)	-0.486 (0.424)
Republican Governor x Democratic Legislature	1.260 (0.856)	-0.427 (1.540)
Democratic Governor x Republican Legislature	NA	NA
Democratic Governor x Democratic Legislature	1.940** (0.861)	0.489 (1.540)
Intercept	0.830 (0.810)	0.074 (1.460)
N	432	432
2 x Log-likelihood	-1479.77	-1034.2
Null Deviance	583.2 on 431 df	463.0 on 431 df
Residual Deviance	476.3 on 397 df	389.8 on 397 df

* $p < 0.1$; ** $p < 0.05$; *** $p < 0.01$ (all two-tailed tests).

Estimates are unstandardized maximum likelihood coefficients.

Table A.6: Negative Binomial Regression Results Predicting the Influence of Public Approval on the Number of Gubernatorial Economic Development Proposals per Legislative Address, 1997-2006

Variable	Traditional Policies Coefficient (S.E.)	Entrepreneurial Policies Coefficient (S.E.)
Public Approval	0.022 (0.042)	0.016 (0.098)
Republican Governor	0.941 (3.280)	3.080 (7.440)
Democratic Governor	1.830 (3.330)	2.680 (7.470)
Republican Governor x Public Approval	-0.019 (0.043)	-0.030 (0.099)
Democratic Governor x Public Approval	-0.042 (0.043)	-0.030 (0.099)
Relative Unemployment Rate	0.144* (0.087)	-0.224 (0.146)
Relative Average Wage	-0.009 (0.010)	0.007 (0.015)
Relative Firm Creation Rate	-0.064** (0.032)	0.001 (0.052)
Annual Change in Unemployment Rate	-0.202** (0.098)	0.101 (0.166)
Annual Change in Average Wage	0.055 (0.054)	0.009 (0.093)
Annual Change in Firm Creation Rate	0.141*** (0.048)	0.126 (0.080)
Projected Change in General Fund Revenue	0.015 (0.017)	0.002 (0.016)
Relative State Tax Revenue	6.37×10^{-5} (2.48×10^{-4})	-1.04×10^{-3} *** (3.87×10^{-4})
Relative Workers' Compensation Expenditures	7.24×10^{-5} (6.64×10^{-4})	1.56×10^{-4} (1.18×10^{-3})
Relative High Tech Employment	-0.025 (0.065)	-0.259** (0.113)
Relative Private Venture Capital Funding	2.63×10^{-5} (3.10×10^{-4})	-9.75×10^{-5} (6.38×10^{-4})

Continued on next page

Table A.6 (*continued*)

Variable	Traditional Policies Coefficient (S.E.)	Entrepreneurial Policies Coefficient (S.E.)
Relative Academic R&D Expenditures	6.92×10^{-4} (1.04×10^{-3})	-4.66×10^{-4} (1.70×10^{-3})
Relative State Tax Revenue of Neighboring States	-3.09×10^{-5} (2.60×10^{-4})	1.95×10^{-4} (4.15×10^{-4})
Relative Workers' Compensation Expenditures of Neighboring States	-1.84×10^{-4} (1.69×10^{-3})	0.003 (0.003)
Relative High Tech Employment of Neighboring States	0.235* (0.120)	-0.148 (0.204)
Relative Private Venture Capital Funding of Neighboring States	-8.73×10^{-4} (4.19×10^{-4})	-6.26×10^{-4} (1.17×10^{-3})
Relative Academic R&D Expenditures of Neighboring States	2.26×10^{-3} (2.60×10^{-3})	0.005 (0.004)
Citizen Liberalism	0.018 (0.018)	0.062** (0.030)
Individualistic Political Culture	-0.016 (0.283)	-0.631 (0.446)
Traditionalistic Political Culture	0.203 (0.233)	-0.631* (0.382)
Republican Legislature	-0.213 (0.344)	0.062 (0.508)
Democratic Legislature	-1.430 (1.260)	0.844 (2.220)
Republican Governor x Republican Legislature	0.192 (0.422)	-0.330 (0.648)
Republican Governor x Democratic Legislature	0.973 (1.300)	-1.160 (2.290)
Democratic Governor x Republican Legislature	NA	NA
Democratic Governor x Democratic Legislature	1.290 (1.290)	-1.120 (2.260)

Continued on next page

Table A.6 (*continued*)

Variable	Traditional Policies Coefficient (S.E.)	Entrepreneurial Policies Coefficient (S.E.)
Intercept	-0.161 (3.260)	-1.050 (7.420)
N	225	225
2 x Log-likelihood	-810.4	-549.1.2
Null Deviance	310.9 on 224 df	236.7 on 224 df
Residual Deviance	251.9 on 194 df	194.4 on 194 df

* $p < 0.1$; ** $p < 0.05$; *** $p < 0.01$ (all two-tailed tests).

Estimates are unstandardized maximum likelihood coefficients.

REFERENCES

- Ambrosius, Margery M. 1989. "The Role of Occupational Interests in State Economic Development Policy-Making." *Western Political Quarterly* 42:53-68.
- Ammons, David. 2001a, July. "Fit to be Tied in Washington" *State Legislatures* 27(7):16-20.
- Ammons, David. 2001b, November 6. "House Races Could End Legislative Gridlock." *Associated Press State and Local Wire*.
- Atkeson, Lonna Rae, and Randall W. Partin. 1995. "Economic and Referendum Voting: A Comparison of Gubernatorial and Senatorial Elections." *American Political Science Review* 89:99-107.
- Barbour, Haley. 2004. "State of the State Address." January 26. Retrieved from <http://www.stateline.org/live/details/speech?contentId=16208>.
- Barkley, David L. Deborah M. Markley, and Julia Sass Rubin. 2001. "Certified Capital Companies (CAPCOs): Strengths and Shortcomings of the Latest Wave in State-Assisted Venture Capital Programs." *Economic Development Quarterly* 15:350-66.
- Bartik, Timothy J. 2007. "Solving the Problems of Economic Development Incentives." In *Reining in the Competition for Capital*, ed. Ann Markusen. Kalamazoo, MI: W.E. Upjohn Institute.
- Beamer, Glenn. 1999. *Creative Politics: Taxes and Public Goods in a Federal System*. Ann Arbor: University of Michigan Press.
- Bernick, E. Lee, and Charles W. Wiggins. 1991. "Executive-Legislative Relations: The Governor's Role as Chief Legislator." In *Gubernatorial Leadership and State Policy*, ed. Eric B. Herzik and Brent W. Brown. New York: Greenwood Press.
- Berry, Frances Stokes, and William D. Berry. 1999. "Innovation and Diffusion Models in Policy Research." In *Theories of the Policy Process*, ed. Paul A. Sabatier. Boulder, CO: Westview Press.
- Besley, Timothy, and Anne Case. 1995. "Incumbent Behavior: Vote-Seeking, Tax-Setting, and Yardstick Competition." *American Economic Review* 85:25-45.
- Beyle, Thad. 1983. "Governors." In *Politics in the American States: A Comparative Analysis*, 4th ed., ed. Virginia Gray, Herbert Jacob, and Kenneth N. Vines. Boston: Little, Brown, and Company.

- Beyle, Thad L. 1988. "The Governor as Innovator in the Federal System." *Publius* 18:131-52.
- Beyle, Thad. 2004. "The Governors." In *Politics in the American States: A Comparative Analysis*, 8th ed., ed. Virginia Gray and Russell L. Hanson. Washington, DC: CQ Press.
- Beyel, Thad. 2007. "Job Approval Ratings." Website at <http://www.unc.edu/~beyel/jars.html>.
- Beyle, Thad, Richard G. Niemi, and Lee Sigelman. 2002. "Gubernatorial, Senatorial, and State-level Presidential Job Approval: The U.S. Officials Job Approval Ratings (JAR) Collection." *State Politics and Policy Quarterly* 2:215-29.
- Blomquist, William. 1999. "The Policy Process and Large-N Comparative Studies." In *Theories of the Policy Process*, ed. Paul A. Sabatier. Boulder, CO: Westview Press.
- Boeckelman, Keith. 1991. "Political Culture and State Development Policy." *Publius* 21:49-62.
- Boeckelman, Keith. 1996. "Governors, Economic Theory, and Development Policy." *Economic Development Quarterly* 10:342-51.
- Bond, Jon R., and Richard Fleisher. 1990. *The President in the Legislative Arena*. Chicago: University of Chicago Press.
- Boyne, George A. 1996. "Competition and Local Government: A Public Choice Perspective." *Urban Studies* 33:703-21.
- Brace, Paul. 1993. *State Government and Economic Performance*. Baltimore: Johns Hopkins University Press.
- Brace, Paul. 2002. "Mapping Economic Development Policy Changes in American States." *The Review of Policy Research* 19:161-78.
- Bradshaw, Ted K., and Edward J. Blakely. 1999. "What are 'Third-Wave' State Economic Development Efforts? From Incentives to Industrial Policy." *Economic Development Quarterly* 13:229-44.
- Breton, Albert. 1991. "The Existence and Stability of Interjurisdictional Competition." In *Competition among States and Local Governments*, ed. Daphne A. Kenyon and John Kincaid. Washington, DC: Urban Institute Press.
- Buchanan, James M., and Gordon Tullock. 1962. *The Calculus of Consent*. Ann Arbor: University of Michigan Press.

- Buss, Terry F. 1999. "The Case against Targeted Industry Strategies." *Economic Development Quarterly* 13, 339-56.
- Clucas, Richard A. 2003. "Improving the Harvest of State Legislative Research." *State Politics and Policy Quarterly* 4:387-419.
- Cobb, James C. 1993. *The Selling of the South: the Southern Crusade for Industrial Development, 1936-1990*, 2nd ed. Urbana, IL: University of Illinois Press.
- Cobb, Roger W., and Charles D. Elder. 1983. *Participation in American Politics*, 2nd ed. Baltimore: Johns Hopkins University Press.
- Coffey, Daniel J. 2006. "Altering Perceptions: State Economic Performance and Guernatorial Agendas." Presented at the State Politics and Policy Conference, Texas Tech University, Lubbock, TX, May 19-20, 2006.
- Cohen, Jeffery E. and James D. King. 2004. "Relative Unemployment and Gubernatorial Popularity." *Journal of Politics* 66:1267-82.
- Congressional Quarterly. 2005. *Guide to U.S. Elections*. Washington, DC: CQ Press.
- Council of State Governments. Various Years. *The Book of the States*. Lexington, KY: Council of State Governments.
- Cox III, Raymond. 1991. "The Management Role of the Governor." In *Gubernatorial Leadership and State Policy*, ed. Eric B. Herzik and Brent W. Brown. New York: Greenwood Press.
- Davenport, Paul. 2003. "New Legislative Leaders Vow Cooperation on Budget." *Associated Press State and Local Wire*, January 2.
- "Democrats Shuffle Committee Chairmanships." 2001. *Associated Press State and Local Wire*, November 29.
- Dennison, Mike. 2005, July-August. "Big Skies, Big Leaders" *State Legislatures* 31(7):46-50.
- Dewar, Margaret E. 1998. "Why Do State and Local Economic Development Programs Cause So Little Economic Development?" *Economic Development Quarterly* 12:68-87.
- Diamond, Randy. 2002, March. "The Consensus Candidate" *State Legislatures* 28(3):20-24.
- DiLeo, Daniel. 1997. "Dynamic Representation in the United States: Effects of the Public Mood." *State and Local Government Review* 29:98-109.

- DiLeo, Daniel. 2001. "To Develop or to Redistribute? An Analysis of the Content of Governors' Agendas." *State and Local Government Review* 33:52-9.
- Dilger, Robert Jay, George A. Krause, Randolph R. Moffett. 1995. "State Legislative Professionalism and Gubernatorial Effectiveness." *Legislative Studies Quarterly*, 20:553-71.
- Dometrius, Nelson C. 1991. "The Power of the (Empty) Purse." In *Gubernatorial Leadership and State Policy*, ed. Eric B. Herzik and Brent W. Brown. New York: Greenwood Press.
- Downs, Anthony. 1957. *An Economic Theory of Democracy*. New York: HarperCollins.
- Downs, Anthony. 1967. *Inside Bureaucracy*. Boston: Little, Brown.
- Edwards III, George C. 1989. *At the Margins: Presidential Leadership of Congress*. New Haven: Yale University Press.
- Elkins, David R., Richard D. Bingham, and William M. Bowen. 1996. "Patterns in State Economic Development Policy: Programmatically Rich and Programmatically Lean Policy Patterns." *State and Local Government Review* 28:158-72.
- Eisinger, Peter K. 1988. *The Rise of the Entrepreneurial State: State and Local Economic Development Policy in the United States*. Madison: University of Wisconsin Press.
- Eisinger, Peter. 1990. Do the American states do industrial policy? *British Journal of Political Science* 20:509-35.
- Eisinger, Peter. 1995. "State Economic Development in the 1990s: Politics and Policy Learning." *Economic Development Quarterly* 9:146-58.
- Elazar, Daniel L. 1984. *American Federalism: A View from the States*, 3rd ed. New York: Harper and Row.
- Erikson, Robert S., Gerald C. Wright, and John P. McIver. 1993. *Statehouse Democracy: Public Opinion and Policy in the American States*. Cambridge: Cambridge University Press.
- Feiock, Richard C. 1989. "The Adoption of Economic Development Policies by State and Local Governments: A Review." *Economic Development Quarterly* 3:266-70.
- Ferguson, Margaret R. 2003. "Chief Executive Success in the Legislative Arena." *State Politics and Policy Quarterly* 3:158-182.

- Ferguson, Ronald F. and Helen F. Ladd. 1988. "Massachusetts." In *The New Economic Role of American States: Strategies in a Competitive World Economy*, ed. R. Scott Fosler. New York: Oxford University Press.
- Fischer, Howard. 2001, July. "Equity's Hot in Arizona." *State Legislatures* 27(7):21-23.
- Fisher, Louis. 1998. *The Politics of Shared Power: Congress and the Executive*, 3rd ed. College Station, TX: Texas A&M University Press.
- Fisher, Peter. 2007. "The Fiscal Consequences of the Competition for Capital." In *Reining in the Competition for Capital*, ed. Ann Markusen. Kalamazoo, MI: W.E. Upjohn Institute.
- Fisher, Peter S., and Alan H. Peters. 1998. *Industrial Incentives: Competition Among American States and Cities*. Kalamazoo, MI: W.E. Upjohn Institute.
- Fosler, R. Scott, ed. 1988. *The New Economic Role of American States*. New York: Oxford University Press.
- Fosler, R. Scott. 1992. "State Economic Policy: The Emerging Paradigm." *Economic Development Quarterly* 6:3-13.
- Gardner, Amy. 2003, July-August. "It Takes Two in North Carolina." *State Legislatures* 29(7): 14-20.
- Gelman, Andrew, and Jennifer Hill. 2007. *Data Analysis Using Regression and Multilevel/Hierarchical Models*. New York: Cambridge University Press.
- Gillett, Sharon E., William H. Lehr, Carlos A. Osorio, and Marvin A. Sirbu. 2006. *Measuring the Economic Impact of Broadband Deployment*. Final Report, National Technical Assistance, Training, Research, and Evaluation Project #99-07-13829. Washington, DC: U.S. Department of Commerce, Economic Development Administration.
- Glover, Mike. 2006. "Lamberti Decides Against Leaving Leadership Post." *Associated Press State and Local Wire*, January 4.
- Grady, Dennis. 1987. "State Economic Development Incentives: Why Do States Compete?" *State and Local Government Review* 19:86-94.
- Grady, Dennis O. 1989. "Governors and Economic Development Policy: The Perception of Their Role and the Reality of Their Influence." *Policy Studies Journal* 17:879-94.

- Grady, Dennis. 1991. "Managing the State Economy: The Governor's Role in Policymaking." In *Gubernatorial Leadership and State Policy*, ed. Eric B. Herzik and Brent W. Brown. New York: Greenwood Press.
- Grant, II, Don Sherman, Michael Wallace, and William D. Pitney. 1995. "Measuring State-Level Economic Development Programs, 1970-1992." *Economic Development Quarterly* 9:134-45.
- Gray, Virginia. 2004. "The Socioeconomic and Political Context of State." In *Politics in the American States: A Comparative Analysis*, 8th ed., ed. Virginia Gray and Russell L. Hanson. Washington, DC: CQ Press.
- Gray, Virginia, and David Lowery. 1990. "The Corporatist Foundations of State Industrial Policy." *Social Science Quarterly* 71:3-23.
- Gross, Donald A. 1991. "The Policy Role of Governors." In *Gubernatorial Leadership and State Policy*, ed. Eric B. Herzik and Brent W. Brown. New York: Greenwood Press.
- Gujarati, Damodar N. 1999. *Essentials of Econometrics*, 2nd ed. New York: McGraw-Hill.
- Hall, Jeremy L. 2007. "Developing Historical 50-State Indices of Innovation Capacity and Commercialization Capacity." *Economic Development Quarterly* 21:107-23.
- Hansen, Susan B. 1999. "'Life Is Not Fair': Governors' Job Performance Ratings and State Economies." *Political Research Quarterly* 52:167-88.
- Hanson, Russell L. 1991. "Political Culture and Variations in State Economic Development Policy." *Publius* 21:63-83.
- Hanson, Russell L. 1992. "The Political Acculturation of Migrants in the American States." *Western Political Quarterly* 45:355-83.
- Hanson, Russell L., and Michael B. Berkman 1991. "Gauging The Rainmakers: Toward a Meteorology of State Legislative Climates." *Economic Development Quarterly* 5:213-28.
- Hecker, Daniel. 1999. "High-technology employment: A broader view." *Monthly Labor Review* 122(6):18-28.
- Hecker, Daniel. 2005. "High-technology employment: A NAICS-based update." *Monthly Labor Review* 128(7):57-72.

- Herzik, Eric B. 1991. "Policy Agendas and Gubernatorial Leadership." In *Gubernatorial Leadership and State Policy*, ed. Eric B. Herzik and Brent W. Brown. New York: Greenwood Press.
- Hopkins, Daniel, and Gary King. 2007. "Extracting Systematic Social Science Meaning from Text." Retrieved from <http://gking.harvard.edu/files/abs/words-abs.shtml>.
- Howell, Susan E., and James M. Vanderleeuw. 1990. "Economic Effects on State Governors." *American Politics Quarterly* 18:158-68.
- Howell, William G. 2003. *Power without Persuasion: The Politics of Direct Presidential Action*. Princeton, NJ: Princeton University Press.
- Isserman, Andrew M. 1994. "State Economic Development Policy and Practice in the United States: A Survey Article." *International Regional Science Review* 16:49-100.
- Jackson, John E. 1988. "Michigan." In *The New Economic Role of American States: Strategies in a Competitive World Economy*, ed. R. Scott Fosler. New York: Oxford University Press.
- Jarmin, Ronald S. 1999. "Evaluating the Impact of Manufacturing Extension on Productivity Growth." *Journal of Policy Analysis and Management* 18:99-119.
- Jewell, Malcolm E. 1969. *The State Legislature: Politics and Practice*, 2nd ed. New York: Random House.
- Jewell, Malcolm E. "The Neglected World of State Politics." *Journal of Politics* 44:638-57.
- Jewell, Malcolm E., and Sarah M. Morehouse. 2000. *Political Parties and Elections in American States*, 4th ed. Washington, DC: CQ Press.
- Keating, Frank. 1998. "State of the State Address." February 2. Retrieved from <http://www.odl.state.ok.us/oar/governors/addresses/keating1998.pdf>.
- Keating, Frank. 1999. "State of the State Address." January 1. Retrieved from <http://www.okhouse.gov/Journals/HJ1999/hjour2.rtf>.
- Keating, Frank. 2000. "State of the State Address." February 7. Retrieved from http://www.okhouse.gov/Journals/HJ2000/hjour1_00.rtf.
- Keating, Frank. 2001. "State of the State Address." February 5. Retrieved from <http://www.stateline.org/live/details/speech?contentId=16083>.

- Kenyon, Daphne A. 1997. "Theories of Interjurisdictional Competition." *New England Economic Review*, (March/April): 13-35.
- King, Gary. 1988. "Statistical Models for Political Science Event Counts: bias in Conventional Procedures and Evidence for the Exponential Poisson Regression Model." *American Journal of Political Science* 32:838-63.
- King, Gary, Michael Tomz, and Jason Wittenberg. 2000. "Making the Most of Statistical Analyses: Improving Interpretation and Presentation." *American Journal of Political Science* 44:341-355.
- Kinney, David. 2003, November 2. "Legislative Control in Hands of Voters." *Star-Ledger* (Newark, NJ).
- Klarner, Carl. 2003. "The Measurement of the Partisan Balance of State Government." *State Politics and Policy Quarterly* 3:309-19.
- Landry, Larry. 1988. "Arizona." In *The New Economic Role of American States: Strategies in a Competitive World Economy*, ed. R. Scott Fosler. New York: Oxford University Press.
- Laver, Michael, Kenneth Benoit and John Garry. 2003. "Extracting Policy Positions from Political Texts Using Words as Data." *American Political Science Review* 97:311-31.
- Leicht, Kevin T., and J. Craig Jenkins. 1994. "Three Strategies of State Economic Development: Entrepreneurial, Industrial Recruitment, and Deregulation Policies in the American States." *Economic Development Quarterly* 8:256-69.
- Light, Paul C. 1999. *The President's Agenda*, 3rd ed. Baltimore: Johns Hopkins University Press.
- Loveridge, Scott. 1996. "On the Continuing Popularity of Industrial Recruitment." *Economic Development Quarterly* 10:151-8.
- Lowery, David, and Virginia Gray. 1992. "Holding Back the Tide of Bad Economic Times: The Compensatory Impact of State Industrial Policy." *Social Science Quarterly* 73:483-95.
- Lynch, Robert G. 2004. *Rethinking Growth Strategies: How State and Local Taxes and Services Affect Economic Development*. Washington, DC: Economic Policy Institute.

- Markusen, Ann, and Katherine Nesse. 2007. "Institutional and Political Determinants of Incentive Competition." In *Reining in the Competition for Capital*, ed. Ann Markusen. Kalamazoo, MI: W.E. Upjohn Institute.
- Moore, John L., Jon P. Preimesberger, and David R. Tarr. 2001. *Congressional Quarterly's Guide to U.S. Elections*. Washington, DC: CQ Press.
- Morehouse, Sarah McCally. 1973. "The State Political Party and the Policy-Making Process." *American Political Science Review* 67:55-72.
- Morehouse, Sarah McCally. 1976. "The Governor as Political Leader." In *Politics in the American States: A Comparative Analysis*, 3rd ed., ed. Herbert Jacob and Kenneth N. Vines. Boston: Little, Brown, and Company.
- Morehouse, Sarah McCally. 1996. "Legislative Party Voting for the Governor's Program." *Legislative Studies Quarterly* 21:359-81.
- Morehouse, Sarah McCally. 1998. *The Governor as Party Leader: Campaigning and Governing*. Ann Arbor: University of Michigan Press.
- Morehouse, Sarah McCally, and Malcolm E. Jewell. 2003. *State Politics, Parties, and Policy*, 2nd ed. Lanham, MD: Rowman and Littlefield.
- National Academy of Social Insurance. 2007. *Workers' Compensation: Benefits, Coverage, Costs, 2005*. Washington, DC: National Academy of Social Insurance. Retrieved from http://www.nasi.org/usr_doc/NASI_Workers_Comp_2005_Full_Report.pdf.
- National Association of State Budget Officers/National Governors' Association. Various years. *Fiscal Survey of the States* (Spring Edition). Washington, DC: National Association of State Budget Officers.
- National Conference of State Legislatures. 2007. "Legislative Deadlock: What if It Happens to You?" Retrieved from <http://www.ncsl.org/Programs/legismgt/about/tiedcmbarticle.htm>.
- Neustadt, Richard E. 1990. *Presidential Power and the Modern Presidents: The Politics of Leadership from Roosevelt to Reagan*, rev. ed. New York: The Free Press.
- Niemi, Richard G., Harold W. Stanley, and Ronald J. Vogel. 1995. "State Economies and State Taxes: Do Voters Hold Governors Accountable?" *American Journal of Political Science* 39:936-57.

- Noto, Nonna A. 1991. "Understanding the Economic Development Official's Dilemma." In *Competition among States and Local Governments*, ed. Daphne A. Kenyon and John Kincaid. Washington, DC: Urban Institute Press.
- O'Toole, Jr., Laurence, J. 1999. *American Intergovernmental Relations*. Washington, DC: CQ Press.
- Osborne, David. 1988. *Laboratories of Democracy*. Boston: Harvard Business School Press.
- Partin, Randall W. 1995. "Economic Conditions and Gubernatorial Elections: Is the State Executive Held Accountable?" *American Politics Quarterly* 23:81-95.
- Peretz, Paul. 1986. "The Market for Industry: Where Angels Fear to Tread." *Policy Studies Review* 5:624-33.
- Peterson, Mark A. 1990. *Legislating Together: The White House and Capitol Hill from Eisenhower to Reagan*. Cambridge, MA: Harvard University Press.
- Quinn, Francis. 2001, July. "Mellow (Mostly) in Maine." *State Legislatures* 27(7):24-26.
- Ragsdale, Jim. 2000. "Ventura Won't Give State of State Address." *St. Paul (MN) Pioneer Press*, February 23.
- Ransone Jr., Coleman B. 1982. *The American Governorship*. Westport, CT: Greenwood Press.
- Rice, David. 2004. "Democrats Tap Black for 4th Term as Speaker." *Winston-Salem Journal*, December 15.
- Robertson, Gary D. 2005. "Black-Morgan Coalition to Run House Again in '05." *Associated Press State and Local Wire*, January 26.
- Rosenthal, Alan. 1990. *Governors and Legislatures: Contending Powers*. Washington, DC: CQ Press.
- Sabato, Larry. 1983. *Goodbye to Good-time Charlie: The American Governorship Transformed*, 2nd ed. Washington, DC: CQ Press.
- Saiz, Martin. 2001a. "Politics and Economic Development: Why Governments Adopt Different Strategies To Induce Economic Development." *Policy Studies Journal* 29:203-14.
- Saiz, Martin. 2001b. "Using Program Attributes to Measure and Evaluate State Economic Development Strategies." *Economic Development Quarterly* 15:45-57.

- Saiz, Martin, and Susan Clarke. 2004. "Economic Development and Infrastructure Policy." In *Politics in the American States: A Comparative Analysis*, 8th ed., ed. Virginia Gray and Russell L. Hanson. Washington, DC: CQ Press.
- Sanford, Terry. 1967. *Storm Over the States*. New York: McGraw-Hill.
- Schlesinger, Joseph A. 1965. "The Politics of the Executive." In *Politics in the American States: A Comparative Analysis*, ed. Herbert Jacob and Kenneth N. Vines. Boston: Little, Brown, and Company.
- Schlesinger, Joseph A. 1966. *Ambition and Politics: Political Careers in the United States*. Chicago: Rand McNally.
- Shanahan, Mark. 2002. "Republicans seek candidate for race to fill critical Senate seat." *Portland Press Herald (Maine)*, January 31.
- Sharkansky, Ira. 1968. "Agency Requests, Gubernatorial Support, and Budget Success in State Legislatures." *American Political Science Review* 62:1220-31.
- Slavin, Matthew I., and Sy Adler. 1996. "Legislative Constraints on Gubernatorial Capacity for State Industrial Policy: Evidence from Oregon's Regional Strategies Program." *Economic Development Quarterly* 10:224-38.
- Small Business Administration. Various years. *The Small Business Economy*. Washington, DC: Small Business Administration. Retrieved from <http://www.sba.gov/advo/research/sbe.html>.
- Small Business Administration. Various years. *The State of Small Business*. Washington, DC: Small Business Administration. Retrieved from <http://www.sba.gov/advo/research/sbe.html>.
- Spindler, Charles J., and John P. Forrester. 1993. "Economic Development Policy: Explaining Policy Preferences Among Competing Models." *Urban Affairs Quarterly* 29:28-53.
- State Science and Technology Institute. 2006. *A Resource Guide for Technology-based Economic Development: Positioning Universities as Drivers, Fostering Entrepreneurship, Increasing Access to Capital*. Washington, DC: U.S. Department of Commerce, Economic Development Administration.
- Taft, Robert. 2005. "State of the State Address." February 8. Retrieved from <http://www.stateline.org/live/details/speech?contentId=16614>.
- Thomas, Kenneth P. 2007. "The Sources and Processes of Tax and Subsidy Competition." In *Reining in the Competition for Capital*, ed. Ann Markusen. Kalamazoo, MI: W.E. Upjohn Institute.

- Tiebout, Charles M. 1956. "A Pure Theory of Local Expenditures." *Journal of Political Economy* 64:416-24.
- Tietz, Michael B. 1994. "Changes in Economic Development Theory and Practice." *International Regional Science Review* 16:101-6.
- Underwood, Cecil. 1999. "State of the State Address." January 14.
- Van Assendelft, Laura A. 1997. *Governors, Agenda Setting, and Divided Government*. Lanham, MD: University Press of America.
- Walker, Jack L. 1969. "The Diffusion of Innovations among the American States." *American Political Science Review* 63:880-99.
- Walker, Jack L. 1977. "Setting the Agenda in the U.S. Senate: A Theory of Problem Selection." *British Journal of Political Science* 7:423-45.
- Wolman, Harold, and David Spitzley. 1996. "The Politics of Local Economic Development." *Economic Development Quarterly* 10:115-50.